Jewel Companies, Inc.

Diversified Retailers

1973 Annual Report
to Jewel People and Shareholders

Results in Brief

(Dollars in thousands except per share figures)	1973 % to Total	Fiscal Year 1973	Fiscal Year 1972	% Increase 1973 over 1972
Sales:				
Food Stores	73.5%	$1,631,361	$1,464,962	11.4%
Drug Stores	11.5	256,691	232,868	10.2
Self-Service Department Stores	8.2	181,389	173,270	4.7
Direct Marketing Division	4.0	88,508	87,575	1.1
Other Sales and Revenues	2.8	61,652	50,619	21.8
Total Sales	100.0%	$2,219,601	$2,009,294	10.5%
Net Earnings for the Year		$ 29,590*	$ 28,667*	
Percent to total sales		1.33%	1.43%	
Percent to shareholders' average investment		11.80%	12.50%	
Common Shares Outstanding—Average (000's)		7,478	7,458	
Earnings Per Common Share		$ 3.95*	$ 3.84*	
Dividends Paid Per Common Share		1.66	1.63	
New Property, Plant and Equipment (net):				
Jewel Companies, Inc.		$ 55,013	$ 59,444	
Real estate affiliates		22,515	18,701	

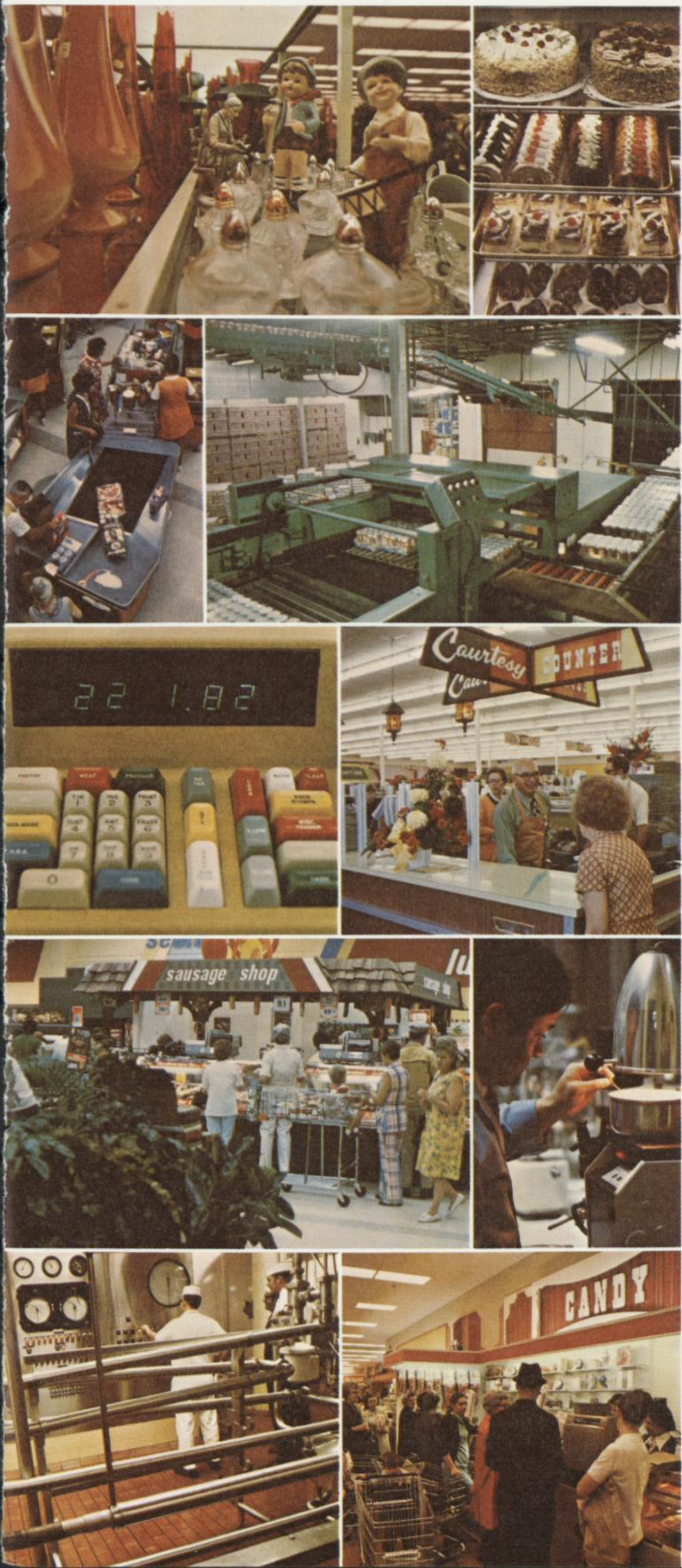
	As of Feb. 2, 1974	As of Feb. 3, 1973
Working Capital	$ 80,655	$ 55,487
Ratio of Current Assets to Current Liabilities	1.5 to 1	1.4 to 1
Shareholders	13,694	13,865
Employees (full-time equivalents)	34,944	33,466

Sales and Earnings by Quarter

	Total Sales (Thousands)		Net Earnings (Thousands)		Earnings Per Share	
Quarter	1973	1972	1973	1972	1973	1972
1st (12 weeks)	$ 460,826	$ 431,024	$ 4,041	$ 4,713	$ .54	$ .63
2nd (16 weeks)	654,170	580,897	8,197	7,298	1.09	.98
3rd (12 weeks)	511,214	448,105	4,599*	5,112*	.62*	.68*
4th (12 and 13 weeks)	593,391	549,268	12,753	11,544	1.70	1.55
Total Year	$2,219,601	$2,009,294	$29,590*	$28,667*	$3.95*	$3.84*

*Excludes extraordinary income of $6,746,000 ($.90 per common share) in 1973 and $1,199,000 ($.16 per common share) in 1972

1973 Letter
from Jewel's Chairman and President



Jewel's sales for the 52-week year ended February 2, 1974 totaled $2,219,601,000, an increase of 10.5% compared to the 53-week prior year and the thirtieth consecutive year of increased sales for Jewel Companies, Inc. Sixty percent of the sales increase came from new selling space. Sales in identical units increased 4.7%. 3

Record Earnings

For the tenth consecutive year, earnings per share improved. Net earnings before extraordinary income increased modestly—3.2%—amounting to a record $3.95 per share compared to $3.84 per share in 1972. In the past eleven years, earnings per share have more than doubled.

Sales increased in each of the Jewel companies in 1973 and each except Star Markets, Republic Lumber and the Direct Marketing Division increased operating earnings. Osco Drug results were particularly strong. Brigham's restaurants and White Hen Pantry convenience stores each recovered from prior year losses. Influenced by Phase IV, meat and other shortage problems, and losses in Milwaukee, operating earnings in our food companies as a whole were only 1.2% above a year ago despite an 11.4% increase in sales. More specific comments about each company will appear in their individual reports beginning on page 12.

Sale of Stock in G B Entreprises

In September, 1973 the sale of Jewel's remaining interest in GB Entreprises, a diversified Belgian retailer, produced a nonrecurring after tax gain of $6,746,000, equal to $.90 per share. Jewel's initial investment in Belgian supermarkets was made in 1960 through a joint and equal venture with Grand Bazar, a department store chain headquartered in Antwerp. In the intervening years, GB Entreprises diversified into other forms of retailing and our equity position changed to that of an outside investor rather than a joint venture participant.

Following a detailed review of this changed relationship, we concluded that this appreciated investment could be more productively used for other Jewel opportunities. Our desire to eliminate overseas borrowing further favored the sale decision. Dividends received from GB Entreprises added $.06 to Jewel's per-share earnings before extraordinary income in 1973, equal to 3% on the market value of this investment.

1973 in Retrospect

Although there is satisfaction in continuing our years of improved earnings per share, in all honesty we cannot be pleased with Jewel's 1973 profit result. In terms of constant dollars, Jewel earnings in 1973 were lower than in 1972. As a percent to sales and as a percent to net worth, earnings were below the average for the past 10 years.

The year's events, many of which were beyond our influence, significantly impacted what might otherwise have been a year of highly favorable earnings growth. The more significant factors which negatively impacted 1973 results are described here, not to offer excuses for 1973 but to facilitate judgment of the relevance of 1973's problems to 1974 and beyond.

Consumer Reaction to the Shrinking Dollar

The year opened and closed with deep consumer concern about escalating prices. The year witnessed meat boycotts, inordinate cross-shopping of stores for weekly specials, great interest in less expensive food including meat substitutes, and a reduction in impulse buying. All of these understandable responses to inflation took their toll on Jewel's supermarket companies as we struggled to offer the best possible values in a climate of consumer unrest.

Jewel's Cost of Inflation

The inflation-induced need for increased working capital, particularly for inventories, combined with unusually high interest rates, put considerable pressure on 1973 earnings. Our short-term interest payments in 1973 were $2,649,000 compared to $791,000 in 1972, an increase of 235%, equal to $.11 per share. One aspect of the cost of inventory, which was apparent in 1973 and promises to be even more expensive in 1974, is the amount of product which must be purchased and warehoused earlier than normal to assure an in-stock condition in the face of widespread shortages.

The Cost of Controls—Food

Not until 1973 did the Economic Stabilization Act significantly affect Jewel Companies. This year, controls dramatically distorted normal pricing practices.

Jewel's supermarket operations were particularly impacted by the general price freeze of June 1973 and beef price ceilings. During eight weeks, beginning in late July, expensive direct purchasing of live animals and custom slaughtering became the only way to obtain beef at a time when our retail prices were frozen but our product costs were not limited. The fact that meat was available to the consumer at all during those weeks attests to the vigor of competition in food retailing as virtually all retailers chose to have beef available for their customers regardless of costs or losses.

The impact on Jewel's supermarket profits came during a year when controls did *not* curb food prices. This was well expressed by Dr. John T. Dunlop, Director of the Cost of Living Council. On February 6, 1974, he testified before a Congressional committee regarding the continuation of controls. He said:

> "In contrast with the health and construction industries, price controls probably have had a very limited impact on food prices in Phases II, III and IV of the Stabilization Program. Widespread compliance with the dollar and cents cost pass-through regulations of Phase IV provides considerable evidence that despite the effectiveness of controls in accomplishing what they were designed to do, namely, to restrict markups and profits of manufacturers and retailers in the food industry, the food price inflation of 1973 was caused by factors beyond the control of the regulations.
>
> "The year compels reflection on the inherent limitations of direct wage and price controls to deal with the virulent commodity inflation experienced in 1973."

We hope that the observations and wisdom of Dr. Dunlop are understood and remembered by governmental administrators and legislators in the months and years ahead. Centralized control and direction of the marketplace is vastly inferior to the allocation of resources by prices.

The Cost of Controls—General Merchandise

Phase IV also proved costly to Osco and Turn*Style. Osco was unable to comply with commodity group accounting requirements of the Cost of Living Council and thus was forced to freeze every price in every store from June 13th to November 12th, when limited relief was finally granted. Turn*Style was similarly hurt. Because first-half 1973 margins were higher than Phase IV base period margins (though in compliance with Phase III), Turn*Style was forced to freeze all prices in several categories (totaling 90%

Aurrera... an Investment in Mexico

Aurrera, which opened its first store in 1957, has achieved a rapid and successful growth. Today consisting of discount stores, supermarkets, restaurants, warehouse stores, fashion apparel stores and car wash and lubrication facilities, Aurrera has grown to become Mexico's leading retailer. Primarily centered in metropolitan Mexico City, new stores have been opened more recently in Cuernavaca and Puebla.

Although Jewel had a modest investment in an Aurrera predecessor company, its major investment was made in 1969 and Jewel now owns 49% of Aurrera's capital stock. During recent years, a major change has been made in the capital stock structure of Aurrera. The current structure guarantees the permanent Mexicanization of Aurrera (with which we totally agree) through the existence of two types of shares. Series A, covering 51% of the capital stock, may only be subscribed or acquired in ownership by Mexican individuals or Mexican corporate entities, and is so legended. Series B, covering 49% of the capital stock, may be subscribed or acquired by either Mexican or foreign individuals and corporate entities.

A major change in organization was implemented this year to optimize the influence of Aurrera's local management in the company's diverse retail activities and the corporation is now organized into various autonomous operating and service companies. The new approach encourages the independence and increases the sense of accomplishment and satisfaction of the Aurrera management team.

of their volume) from June 13th to February 1st when all controls on general merchandising retailing were lifted.

Cost of Geographic Expansion

Although our 1972 Annual Report stated that in the next several years we would be concentrating expansion efforts in markets which we were already serving, 1973 was negatively influenced by an earlier decision to enter Milwaukee. Although we have been pleased with our sales progress, losses have been significantly greater than projected, largely because of the highly emotional pricing activity of the market leader in Milwaukee, who, according to local newspaper surveys, has a 43% share of the market. We expect that 1974 progress will be less costly than was 1973's experience.

Related both to the need to serve our 11 Wisconsin stores and to better serve the 38 Jewel stores outside the Chicago metropolitan area, we shifted the supplying of these stores to a wholesaler who opened a new warehouse facility in Plainfield, Illinois. In the first half of 1973, this proved to be costly. Start-up problems were reflected on vacant store shelves and in the human frustration in the stores served by that new warehouse. We are pleased to report, however, that Plainfield was operating efficiently as of the fourth quarter, 1973 and that the current outlook is positive.

A Year of Growth

Jewel people again achieved a healthy growth program in 1973. Our total capital investment in new retail locations was almost entirely for existing market areas. The few new markets we did enter were relatively small communities such as Casper, Wyoming and Wenatchee, Washington (both Buttrey/Osco) and Columbus, Indiana (Osco), where entry costs are minimal compared to a major market like Milwaukee.

We added the following retail facilities in 1973:

	No. of New Units	No. of Enlargements	Added Square Footage
Food stores	20	6	649,000
Drug stores	21	2	341,000
Convenience food stores	33	—	92,000
Turn*Style stores	2	1	221,000
Restaurants	2	1	10,000
Republic home improvement stores	1	—	31,000

Jewel's growth strategy in 1973 included:

A partnership of food and general merchandise—This continues to be of growing importance to us. Of the 23 new Osco and Turn*Style stores opened this year, 17 were in the same shopping facility with one of our four supermarket companies. Fifty-four percent of our total 1973 sales volume was in locations which combine food and a significant general merchandise presentation.

Increasing store size—Expansion efforts were directed toward larger stores in 1973. Whereas the 20,000 square foot food store was the prototype as recently as 1971, new stores this year were typically 30,000 or more square feet in size. An unusual 66,000 square foot food store, the Grand Bazaar, is described on page 13 of this Report. Similarly, the trend toward super drug stores continued, with 1973 new drug stores averaging 16,000 square feet compared to an average for the entire chain of under 13,000 square feet in 1971.

Continued development of manufacturing operations—These better assure sources of quality merchandise and supplies and increase our earnings as well. In 1973, Jewel Food Stores opened a soft drink beverage plant in the Chicago area, a paper bag manufacturing plant in Arkansas and broadened product lines in its sausage, dairy and ice cream plants. Eisner added a commercial bread manufacturing capability to its central bakery.

A change in direction for liquor sales—Our experiment with free-standing liquor stores suggested that a more appealing concept is the wine and liquor shop which is part of a food or drug store. Thus Case 'n Bottle development has been integrated into Osco and the Jewel Food Stores.

Hypermarket Plans

For more than two years Jewel people have been interested in a European retailing concept commonly referred to as the hypermarket, a large food and general merchandise store under one roof, selling family needs in very large volume at unusually low prices. The hypermarket is a natural next step for Jewel in developing locations that combine our diverse retailing strengths.

Having already successfully translated the food portion of the hypermarket into the Jewel Grand Bazaar, we have now allocated appropriate resources to a complete development of what will be among the first hypermarkets in the United States. The store will contain about 200,000 square feet of shopping space and will include food, drug, both hard and soft goods, home improvement products, liquor, restaurant facilities, and a variety of specialty and service shops appropriate for the community to be served—all under one roof. Customers will be able to shop the entire store and be served by one set of check-out facilities. The store will be innovatively designed in terms of merchandise handling, display and decor.

As already announced, we have formed a new Jewel "company" (yet to be named) to implement our plans and have selected D. L. Lewis, formerly President of Turn*Style, to lead the organization. For its merchandising resources and management talent, our hypermarket group will draw on several Jewel companies who will be "partners" in the new venture.

Outlook for 1974

While imponderables continue to be of a magnitude such as to make forecasts of questionable value, we do not hesitate to express our strong conviction that year in and year out, against human and business objectives, Jewel will grow in healthy fashion. 1974 will quite likely be a year of economic difficulties. While remaining controls might be discontinued, we are now faced with shortages of energy, raw materials and finished goods.

We view the energy shortage in a mixed sense. To the extent it increases unemployment, it will have a negative impact on Jewel's progress. On the other hand, the energy shortage does seem to have two positive effects. First, it is causing many companies, Jewel included, to increase emphasis on searching out wasteful uses of energy, thus providing savings to help offset rising costs. Second, the lessened use of the family car seems to be having a positive effect on our supermarket sales volume as 1974 begins. Apparently, more food is being consumed at home as travel is reduced. Also, with gasoline being both more scarce and more expensive, greater importance is given to shopping at stores or combinations of stores which offer a wide variety of food and general merchandise in one location and at stores that are in the best in-stock position.

A Human Audit

Whereas all companies annually audit their important financial resources, in recent years Jewel has initiated an internal audit of its most important resource. . .people, and specifically their attitudes.

Jewel has long recognized people as its most important resource. Healthy morale, real dedication, and outstanding competence at all levels have helped Jewel meet the challenges of changing times and serve our customers with empathy. However, Jewel management, concerned with the continued growth of the Company, understands the need to have a realistic way of knowing what thousands of Jewel people really feel about their work, their associates, their rewards and the progress of their company.

Jewel understands the importance of an environment that enables women and men to do work that utilizes their talents, education and experience. For most persons work is a great source of satisfaction and pride. For our national well-being, it is important that our human resources be employed most effectively. Ours is a sustained concern for the growth and development of the newest recruit as well as of the "old-timer."

The development of employee attitude surveys appropriate for our type of organization has progressed over the years and such surveys are now being used or plans are set for their use by all operating companies, measuring a representative cross section of Jewel attitudes.

In our findings to date we can report overall good morale with strong identification with each individual operating company and indirectly with Jewel, satisfaction with the work environment, and a wonderfully healthy concern with serving customers. Not surprising, in some areas of relationship between Jewel people, there is room for improvement. We consider these human audits a healthy challenge to our management philosophy and style.

We plan to invest $51,000,000 to equip new facilities in 1974. Our plans should add approximately 1.4 million square feet of new shopping space, an increase (net of obsolete stores that will be closed) of 9% over retail facilities at the end of 1973.

Management and Director Changes

At the end of 1973, Mr. George L. Clements retired from active management. He served our Company in various capacities for 44 years, including 14 years as President, five as Chairman and the last three as Chairman of the Executive Committee. Mr. Clements' leadership has been one of belief in and commitment to people. We who have benefited from his style of leadership are dedicated to try to live up to the example he has set. Mr. Clements will continue to serve Jewel as a Director. Mr. Perkins has assumed the added responsibility of Chairman of the Executive Committee.

On December 19, 1973, the following other senior management changes were made by the Board of Directors: Mr. Howard O. Wagner became Chairman of the Finance Committee; Mr. Richard E. George was named Executive Vice President, Finance; Mr. Clifford R. Johnson was named Executive Vice President, Real Estate.

With the appointment of Mr. Lewis to head our hypermarket project, Mr. Frank J. Tyska was named President of Turn*Style effective February 4, 1974.

Mr. George T. Hilden retired on January 31, 1974 as Chairman of Osco Drug, Inc. Mr. Hilden was one of the founders of Osco and served that company for 37 years, also serving other parts of Jewel Companies in various capacities from time to time. Mr. Hilden's commitment to honesty and decency in the marketplace will serve indefinitely to inspire us. The respect with which he is regarded in the retail drug industry is such that he recently completed his second term as Chairman of the National Association of Chain Drug Stores.

On June 20, 1973, Mr. William A. Gerbosi retired as a Director after serving Jewel in various capacities for a total of 43 years. We are grateful for the leadership he provided during his years as an officer of Jewel and for his guidance as a Director since 1948.

Raymond C. Baumhart *Richard B. Ogilvie*
Barbara Scott Preiskel *Arthur W. Schultz*

Also on June 20, 1973, four new Directors were elected by shareholders:

The Reverend Raymond C. Baumhart, who joined the Society of Jesus (Jesuits) in 1946, has been associated with Loyola University of Chicago since 1962 and is currently serving as its President. He holds both a Master's and a Doctoral degree in Business Administration from the Harvard Business School, and is a member of the Board of Directors of the Council of Better Business Bureaus.

Mr. Richard B. Ogilvie, a partner in the Chicago law firm of Isham, Lincoln & Beale, served as Governor of the State of Illinois for four years. Mr. Ogilvie is a member of several corporate boards and is active in numerous civic and charitable organizations.

Ms. Barbara Scott Preiskel, a member of the American Bar Association and the Bar Association of the City of New York, is Vice President and Legislative Counsel for the Motion Picture Association of America, Inc. She has served on a number of state and federal committees concerned with civil rights and is a trustee of the New York City Philharmonic.

Mr. Arthur W. Schultz, Chairman of the Board of Directors of Foote, Cone and Belding, is an active Chicagoan whose involvements include the Lyric Opera, the Better Business Bureau and the YWCA of Metropolitan Chicago.

Thanks

To Jewel people. Although in this message we have not pretended to be pleased with the modest gains of 1973, we are unequivocally proud of Jewel people everywhere who responded to the year's extraordinary problems with determination, resourcefulness, pride and energy, all of which we have come to count on as the spirit of Jewel people.

To Jewel customers, whose frustrations we understand because we feel similar frustrations. Through all the problems of 1973, there was understanding and common sense, friendliness and loyalty. Perhaps our customers sensed the integrity and credibility of Jewel people as we wrestled with the year's problems.

To Jewel suppliers, particularly those whose selfless efforts on behalf of our customers indicated a real understanding of what it means to do business together, not just today but over a number of years through trying times as well as less difficult ones.

And to Jewel shareholders, for their continued interest during a period when the stock market seems more concerned about daily problems than with the healthy, steady and continued growth in sales and earnings which we feel is the Jewel pattern.

Donald S. Perkins

D. S. Perkins

W. R. Christopherson

W. R. Christopherson

The Growing Jewel Companies

BRIGHAM'S	1973	Plan 1974
Stores—beginning of year	113	108
New stores added	2	4
Stores closed	7	5
Stores—end of year	108	107
Average age (years)	7	
Store area (average square feet)	2,700	
(range, square feet)	1,200-7,000	

BUTTREY FOODS	1973	Plan 1974
Stores—beginning of year	38	39
New stores added	2	2
Stores closed	1	—
Stores—end of year	39	41
Average age (years)	8	
Store area (average square feet)	24,400	
(range, square feet)	5,600-39,300	

DIRECT MARKETING DIVISION	1973	Plan 1974
Routes—beginning of year	1,746	1,570
Routes added	2	—
Routes closed	178	45
Routes—end of year	1,570	1,525
Customers served	736,000	

EISNER FOODS	1973	Plan 1974
Stores—beginning of year	36	33
New stores added	1	4
Stores closed	4	1
Stores—end of year	33	36
Average age (years)	10	
Store area (average square feet)	19,200	
(range, square feet)	7,800-28,800	
Affiliate stores	48	48

JEWEL FOOD STORES	1973	Plan 1974
Stores—beginning of year	264	252
New stores added	14	17
Stores closed	26	21
Stores—end of year	252	248
Average age (years)	7	
Store area (average square feet)	22,200	
(range, square feet)	7,200-66,000	

MASS FEEDING CORPORATION	1973	Plan 1974
Meals served (000's)	12,898	17,500

OSCO DRUG	1973	Plan 1974
Stores—beginning of year	188	201
New stores added	21	22
Stores closed	8	1
Stores—end of year	201	222
Average age (years)	6	
Store area (average square feet)	14,500	
(range, square feet)	5,900-33,900	

REPUBLIC LUMBER	1973	Plan 1974
Stores—beginning of year	3	4
New stores added	1	2
Stores—end of year	4	6
Average age (years)	4	
Store area (average square feet)	27,000	
(range, square feet)	21,000-35,000	

STAR MARKETS	1973	Plan 1974
Stores—beginning of year	55	58
New stores added	3	6
Stores closed	—	1
Stores—end of year	58	63
Average age (years)	9	
Store area (average square feet)	28,400	
(range, square feet)	16,700-48,300	

TURN*STYLE	1973	Plan 1974
Stores—beginning of year	27	28
New stores added	2	1
Stores closed	1	—
Stores—end of year	28	29
Average age (years)	6	
Store area (average square feet)	94,800	
(range, square feet)	57,000-121,900	

WHITE HEN PANTRY	1973	Plan 1974
Stores—beginning of year	172	201
New stores added	33	45
Stores closed	4	9
Stores—end of year	201	237
Average age (years)	3	
Store area (average square feet)	2,500	
(range, square feet)	2,300-6,700	

®

An Association of Autonomous Companies

"An Association of Autonomous Companies" describes one of the Jewel Concepts of Management.* It has been chosen as the theme for our 1973 Annual Report because the philosophy inherent in this concept explains perhaps better than anything else the accomplishments of Jewel people in serving customers.

Consistent with this year's theme, a report from the President of each of the individual Jewel companies appears in the following pages. As you read their reports, it might be helpful to have in mind several points which illustrate the concepts under which Jewel is organized:

1. Each Jewel company operates with the name under which it was founded; thus no Jewel company, whatever its size, has its character and personality lost or confused in a larger identity.

2. While each Jewel company is committed to broad principles and policies that are consistent with our overall corporate responsibilities and objectives, each is expected to do its own planning, develop its own strategies and make its own decisions. With substantial delegation of authority there rests a commensurate degree of responsibility and of accountability.

3. The capabilities of each company are best used in synergy with other Jewel companies. Thus you will note in the following reports references to partnership efforts among our companies. There is not a single Jewel company whose success is not related to the success of other Jewel companies: facilities and locations are shared, people and ideas are shared, problems and rewards are shared. Jewel people understand that the actions of an individual Jewel enterprise must be in accord with the interests of other parts of Jewel and of the whole Corporation. The preservation of the autonomy enjoyed by each management group within Jewel is best guaranteed by a spirit of cooperation and coordination with other profit centers.

4. Resources for growth are allocated to the individual companies based on how well each has been performing in comparison to approved plans and on how well each is expected to perform in the future, all balanced with our overall financial strengths and marketing strategies.

5. A potential weakness of Jewel's approach to autonomous company operation is the possibility that people movement between companies might be restricted. We consistently strive to avoid this problem by encouraging movement between companies and to and from the corporate management group. During fiscal 1973, 33 management people made such cross-company moves; 13 of these were at the officer level.

6. The corporate management staff is not a command post. It is kept small and its services to the operating units purposely limited to those which the separate companies cannot as effectively provide for themselves or which are essential to the exercise of corporate management responsibility. Corporate management's responsibilities include providing the climate for independent operating company initiative, reviewing plans and allocating resources, designating successor operating company leadership and continually challenging the awareness of each management group about the need to be outstanding in its response to its customers, its people and therefore also to Jewel shareholders. Obviously this requires continued understanding through involvement of corporate management in the developments of each operating company, if the consulting help is to be worthwhile.

7. While authority for decision making is broadly spread to the operating companies, and in turn to profit centers within the companies, Jewel's Chairman and President, reporting to the Board of Directors, hold the ultimate responsibility for the direction and the success of Jewel Companies, Inc. and expect to be judged by their selection of individuals to whom decision-making authority is delegated as well as by their judgment of the degree to which and the speed by which that authority is spread.

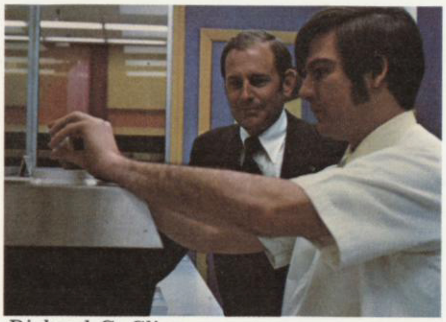
8. Jewel people seem comfortable with our approach to organizational autonomy because it helps them fulfill the very human desire to have their own decisions visibly affect their destinies and their accomplishments contribute to their personal satisfactions. Thus Jewel's decision to develop along autonomous company lines was designed to match corporate structure to human needs and desires.

*A copy of THE JEWEL CONCEPTS is available by writing to: Jewel Companies, Inc., Communications Department, O'Hare Plaza, 5725 N. East River Road, Chicago, Illinois 60631.

Presidents
of the JEWEL COMPANIES

Thomas F. Harwood,
Mass Feeding Corporation

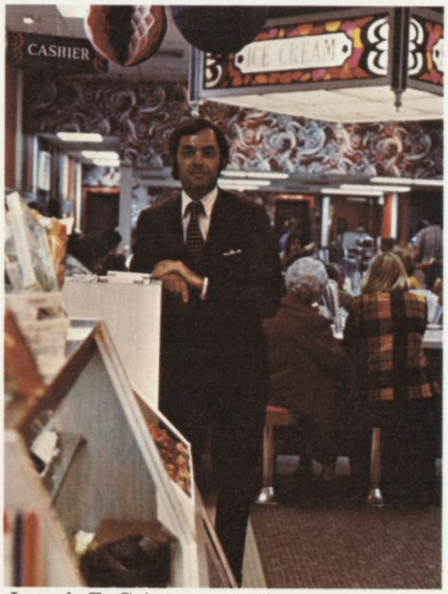
John M. Mugar,
Star Markets



Richard G. Cline,
Osco Drug

Harry G. Beckner,
Jewel Food Stores

David L. Diana,
White Hen Pantry



Joseph F. Grimes,
Brigham's

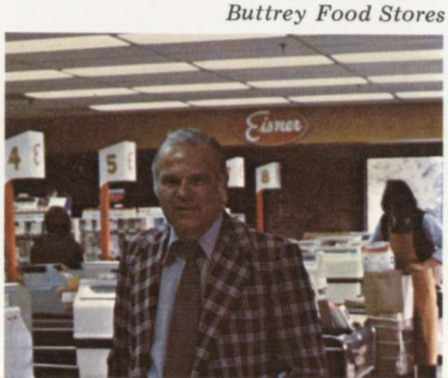
D. L. Lewis,
Hypermarket Project

Frank J. Tyska,
*Turn*Style*

Walter Y. Elisha,
Direct Marketing Division

Philip R. Palm,
Buttrey Food Stores

Stanley Nathanson,
Republic Lumber



J. Winslow Smith,
Eisner Food Stores

Management at the Jewel Food Stores looks back on 1973 with satisfaction, a fair amount of surprise and a degree of pride. We have satisfaction because of the challenges met, are surprised at how good the sales results were and take pride in the efforts of our people who worked so diligently and with such imagination to make it possible.

Jewel people made and remade plans and programs; zeroed in on targets that changed and rode out a "roller coaster" year that defies any other description. The year was one of substantial challenges, often demanding untested responses. For example, we confronted unprecedented consumer buying resistance, the meat boycott and meat shortages.

When many of the packing houses (our normal suppliers of wholesale cuts) were shut down due to lack of product, we found ourselves engaged in custom slaughtering. We purchased cattle "on the hoof" and contracted with packers to process them. It was an expensive alternative (fortunately short-lived) but indicative of the steps we took to serve our customers despite the losses involved.

1974: More Challenges, But Confidence

Without question, Jewel people will face frustrating problems in 1974 as shortages occur in many product lines (including even the paper sacks to hold customers' purchases). Yet, we see the family's interest in food rising in their overall budget priorities.

Jewel's investments in real estate, new stores and remodeling in the Chicagoland market are designed to strengthen our existing store network. While we plan little or no increase in numbers of units, we

The innovative methods of mass displaying goods at the Grand Bazaar are based on efficient, labor-saving methods being studied under "selling laboratory" conditions. Other innovations include a "stock from the rear" dairy display, a palletized area for heavy bulk produce and an electronic "Check-Out Here—Pay Over There" cash system.

will create a significant increase in square footage of selling space. Several stores will be closed because they are outmoded and cannot offer the breadth of merchandise our customers have a right to expect. In most cases, an alternate Jewel is available nearby—usually a more modern facility. Often these stores are next to Osco Drug Stores and present an even more complete shopping experience.

Our Growing Partnerships

Eleven of the 14 new stores and five enlargements in 1973 were in partnership with Osco Drug. In coming years, we expect to continue developing key locations with Jewel general merchandise companies—Osco and Turn*Style. Jewel Food Stores, with the help of Jewel's general merchandise companies, has the capability of providing the size of general merchandise offering that is specifically tailored to the needs of each individual trading area. This is clearly demonstrated by 48 Jewel Family Centers, 90 Jewel Food Stores operating in partnership with Osco and 14 Jewel Food/Turn*Style locations.

Just Inside the Door to the Future

On September 27, 1973, the first Jewel Grand Bazaar opened its doors and, except for Christmas day, has remained open 24 hours a day. Since opening morning, the 66,000 square foot Grand Bazaar, adjoined by a 23,000 square foot Osco Drug Store, has consistently rung up sales exceeding our "target" figures.

Nearly two years of research and planning preceded construction. Although considered a laboratory store, the Grand Bazaar is an outstanding sales success by current retailing measurements. It draws customers from all parts of Chicago's South Side and beyond. The Grand Bazaar is massive in appearance and concept. Much of its merchandise is received in wire baskets ready to be hoisted onto pallet racks on the sales floor. The interior gives the impression of an attractive "open air" market. Displays run the gamut from exotic plants to truckload quantities of paper towels.

Heavily promoted in all media, the Grand Bazaar has attracted customers in greater numbers and has received more publicity than any other Jewel store in history. It has become a tourist attraction for business travelers from all over the world. What they see is a working laboratory for trying out the ideas that will influence future stores. Indeed, many of Jewel's conventional stores will be improved because of what we learn in Grand Bazaar. Two more Jewel Grand Bazaars, to open in 1974, will show some "second generation" updating.

Merchandising Approaches of the Future Already Working at Jewel

We are now operating several in-store bakeries where broad lines of pastry products are prepared "from scratch." We offer out-of-the-oven freshness and our variety is tailored to suit both ethnic and traditional tastes. Some future locations might be well served by simplified "bake-off" installations, using a smaller variety of pre-mixed product. There is a shortage of skilled bakers, so training is necessary if we are to further develop this exciting concept.

Self-service "quick pickup" refrigerated cases extend the already popular Chef's Kitchen department. The line of Jewel manufactured products for this department is growing rapidly. We expect 60 stores to be so equipped by year end. We are already manufacturing five varieties of "Dinners For You," ready to heat.

Pier 14 Seafood Departments are being added to our supermarkets. Fresh fish is flown to Jewel from three coasts. Tanks of live trout and lobster present an outstanding attraction for key locations. Jewel sees a network of Pier 14s to serve Chicagoland. The popularity of seafood is growing and sales at Pier 14 are healthy, but growth will be cautious while skilled people are trained to handle this highly perishable product.

The concept of our Cheese Chalet is variety and service, featuring imported and domestic cheese. Each selection is cut to order, and there is ample opportunity to have a taste of this and a bite of that before buying. At the Grand Bazaar opening, a 2,000 pound wheel of cheddar, meant to last two weeks, was cut and sold in three days.

New Check Verification System

Hundreds of thousands of Jewel customers pay for their groceries by personal check, requiring separate verification files in each Jewel store. In 1974, each Jewel check cashing customer will receive an embossed plastic card which will permit check cashing privileges in any Jewel store. Verifications will be handled by a store terminal linked to a central computer.

Outer Zone Story

The "Outer Zone" of Jewel Food Stores operations includes stores in Iowa, Illinois, Indiana and Michi-

 Customer parcel pickup at the Grand Bazaar provides cart-to-car service.

gan which are not covered by the "umbrella" of advertising and merchandising provided in the Chicago metropolitan area. These stores face a variety of competitors in many markets. They require greater localizing effort on a store-by-store basis to answer each neighborhood's needs. In number and potential, this group of units is the equivalent of a medium size chain of food stores.

The early part of 1973 found the Outer Zone with supply and operating difficulties, but in the second half, a significant "turn-around" was accomplished, and 1974 prospects are promising.

The Outer Zone's wholesale supplier moved to a new grocery and perishable distribution facility which began operation early in the year. This facility is intended to serve the majority of Outer Zone distribution needs. As is normal in most major distribution changes, the start-up period encountered initial difficulties in training new people and product flow logistics.

Through close cooperation with Outer Zone management, the facility's personnel achieved smooth operation by the start of the fourth quarter. The two groups deserve much credit for the turn-around in operating results.

Milwaukee Story

Skeptics who don't believe that competition in the food industry benefits the customer, probably haven't visited Milwaukee in the last two years. Extending Jewel's coverage of the Lake Michigan megalopolis by entering the Milwaukee market was a logical and inevitable step.

Jewel entered Milwaukee by acquiring and thoroughly face-lifting several existing stores and building six new stores. We now have ten large and modern food stores in this city.

Our entry into Milwaukee triggered an immediate response by our competitors that resulted in an extremely depressed price situation. Our chief competitor, who dominates the market with nearly four times as many stores, embarked on an aggressive remodeling and rejuvenating program. Milwaukee customers have benefited from having the widest choice of stores, sales programs and products imaginable.

While Jewel's total Milwaukee sales are on target, the loss in earnings to enter the Milwaukee market is considerably more than we had projected. We were surprised to encounter below minimum markup and below cost selling being used as a competitive tool. Wisconsin has a clearly defined minimum markup law designed to prevent that very practice. Strong official enforcement of that law has now returned competitive pricing activity to legal level and should create a more reasonably competitive temperature.

(Left) The garden bazaar down the aisle results from the side-by-side presentation of perishables and flowers.

(Below) Consumer service center has a "resident" home economist who provides homemaking, budgeting, nutritional, entertainment and menu planning help.

We have heavily invested Jewel's management talent in this major new market in an effort to be certain that we would give customers what they wanted. The Jewel style of management can adapt to change. This strength has been tested in Milwaukee and proven to be valuable.

The Milwaukee management team has applied tight expense controls and is achieving continued sales growth. We feel that this combination will provide the leverage necessary to improve Milwaukee results dramatically in 1974.

Our research studies show that our healthy sales trend is accompanied by increasing consumer awareness and a growing reputation. It's a delight to serve the Milwaukee customer. She knows good food, she responds to sincere service with appreciation and she looks for the store that treats her fairly.

Kalamazoo Entry

The most exciting Outer Zone success story in 1973 took place in Kalamazoo, Michigan. Here, three Jewel stores (two with large Osco Drug Stores, one with a Turn*Style Family Center) demonstrated the synergism that Jewel people call "2+2=5."

Having entered the market two and a half years ago, opening and readying units on a planned schedule, 1973 marked the first year of total operation. The year ended with a positive earnings position. For several reasons, Kalamazoo represents a distinctively successful market entry:

> Careful research was done well ahead of time, including site location, size of stores and combinations of stores.

Further research helped influence merchandising, advertising and promotion strategies.

Acceptance by the Kalamazoo customer has been excellent.

Jewel's meat and overall perishables presentations were quickly accepted in the market place. Customers recognized new services, such as Jewel's Chef's Kitchen products, as being an added advantage to their shopping experience.

Sometimes, to Be Sure, You Do It Yourself

Manufacturing is an activity that grows cautiously but solidly at Jewel Food Stores. We're retailers first of all, but there are instances when, to assure our quality and supply, we elect to make it ourselves.

During 1973, our ice cream plant completed its first full year as supplier of packaged ice cream and novelties to Jewel and Eisner Food Stores. Added during the year was a new soft drink beverage plant in Itasca, Illinois, and a paper bag manufacturing plant in Arkansas.

An expansion of our sausage plant was completed in 1973 and new products from this operation should be on sale during the first quarter of 1974.

Our manufacturing operations have been affected by increasing costs for meat, milk, paper and flour. But our plant operations are among the most efficient to be found anywhere. These have provided a further positive contribution to Jewel's customer acceptance and to our sales and earnings during 1973.

(Left) Star's President, John Mugar, talks with Pam Hogle at one of the 31 new service center departments.

(Right) Kathy MacKinnon was recently appointed from Star's personnel department to the new corporate position Manager, Executive Development for Women.

Much of Star's 1973 progress can be attributed to innovative marketing programs.

During the meat boycott, Star stores offered alternative products. For instance, a variety of ocean fresh seafood was featured as a high protein, low cost meat substitute.

In the summer of 1973, when the news media was filled with news of meat shortages, Star customers found a wide variety of meat at all times. At one point, we called upon the resources of a sister company (Buttrey Food Stores, which operates in western cattle-growing country) to arrange for custom slaughtering of beef.

Star's bus transportation program for senior citizens was expanded in 1973 from 13 to 22 locations.

Star's weekly *Posted* column appears in most major daily papers in Star's market area. Since 1970, this consumer oriented column has discussed topics such as nutrition, dollar stretching menu ideas and Star's meat identification program. Star installed 31 "Service Centers" carrying tobacco products and sundries and offering film processing and key making services.

To fulfill our customers' special needs, we continued to expand departments such as ethnic foods, natural foods, imported candy, imported lamb and unusual produce. Star integrated general merchandise sections into the grocery aisles of every store.

We feel these programs were primarily responsible for achieving our projected sales increase over 1972. The added volume, however, was not sufficient to offset the effect of our higher costs and controlled prices, resulting in lower earnings.

Stores *with* Partners and *for* Neighborhoods

We opened three new stores in 1973, two with our Osco Drug partners. The synergistic effect of two

Jewel companies combining for mutual benefit is well illustrated by the growing Star/Osco partnership in New England. The spirit of cooperation between the Star and Osco management teams attests to the philosophy that "together we can do better."

Our third new store, a free-standing supermarket, was opened in the Fenway section of Boston. It was designed to reflect the area it serves. Refrigeration condensers were mounted within the building to cut down on noise and improve exterior appearance. The interior decor includes a mural of noted Boston landmarks. Each aisle is named for a street in this Back Bay area.

People Power

At year end we operated 58 supermarkets and we expect to open six more in the New England area in 1974.

Each new store requires the development of approximately 20 new management people. To prepare ourselves for future growth we took steps to strengthen and expand our management base in 1973. In December, 1973, we also appointed nine new vice presidents whose names are included in the officer listing section of this Report.

Our efforts to attract more women and members of minority groups to Star began to show results this year. Of the college graduates who joined us this year, 40% were female, and 16% were members of minority groups. We have more than 20 female department managers and other women holding various managerial positions.

Star's new Fenway store reflects the area it serves through the use of wall murals that incorporate Boston landmarks.

Adherence to our affirmative action program in the area of equal employment is expected to further our progress in the years ahead.

We now have more than 50 students working in our Cooperative Education Program with Northeastern University and Merrimack College. With Star's financial help, approximately 250 of our supervisors and management people completed off-the-job educational and development courses and programs. More than 180 completed the American Management Association's Supervisory Management Course.

Order and Distribution Changes

At year end, we had completely implemented our Computer Aided Ordering System in all our stores. This system was designed to relieve the grocery department managers of the time-consuming aspects of ordering and to provide better scheduling in our warehouse. This system has reduced store inventory, and we will expand the system into our warehouse and Inventory Control Department for increased stock turnover.

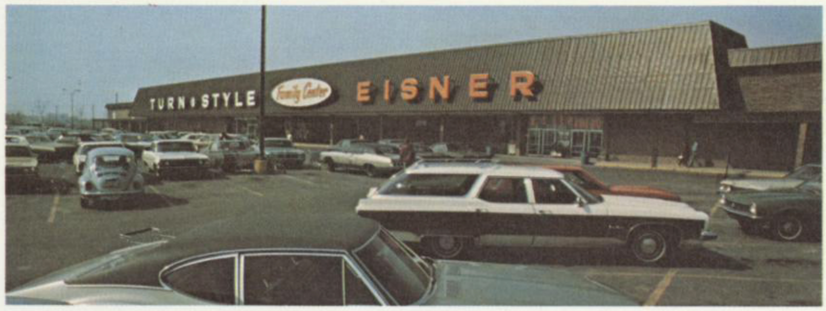
Along with our projected growth in both store facilities and people development, we have made several important changes in our distribution facilities: (1) we have leased additional freezer space allowing consolidation of all our frozen products under one roof; (2) we completed an addition to our perishable warehouse facilities to house boxed meat products; (3) we have a new support building, completed late in the year, which will be used for shredding corrugated cardboard for recycling, repairing pallets, sanitizing trailers and maintaining equipment.

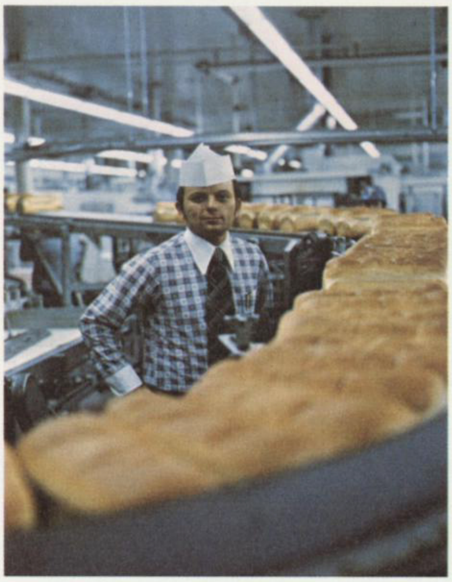
While we realize each year presents different challenges, 1973 tested Star's flexibility. We are confident of the future because our greatest strength is our people. As we look at 1974 we are optimistic that we can achieve our planned growth in sales and earnings.

(Left) *This agency store in Shelbyville, Illinois, is one of 48 franchise operations.*

(Below) *Roy Brazelton, Eisner's Bakery Manager, inspects bread production.*

*Eisner's Indianapolis success grows from the service offered in combination stores like this one with Turn*Style.*





After a slow start, Eisner's 1973 sales and earnings were the highest our company has ever achieved.

In 1969, Eisner was primarily an Illinois operation. We operated only three stores in Indiana. Now, with an additional seven stores and a fourfold increase in Indiana sales, our Indiana operation represents a growing portion of Eisner business.

Indianapolis Growth

Much of our enthusiasm about the Indiana market potential is centered in Indianapolis, an innovative and aggressive city of a million people. Eisner is now serving Indianapolis with six modern facilities, three in conjunction with Turn*Style Family Centers and three as combination units with Osco Drug, utilizing common check-outs. Offering a one-stop food and general merchandise shopping advantage, we believe our stores are being increasingly recognized for their advantages to shoppers. Progress made in this city in 1973 encourages Eisner people for the years ahead.

Good progress was shown this year within more established areas of our company. Recently remodeled units and our newer stores have shown exceptional sales and profit increases.

Investing Capital

Eisner worked hard in 1973 to make better use of invested capital. We closed four obsolete units, in three cases being able to shift a good portion of their sales to other Eisner locations in the same town.

The expansion and reorganization of our Loss Prevention Department resulted in a further reduction of our pilferage and stock losses.

Eisner Franchise

Eisner franchise operations increased sales by 23% in 1973. The number of accounts served increased from 43 to 48 stores. We discontinued service to four marginal outlets while adding nine healthy, new accounts. Important growth in our franchise business has also been internally generated as sales increased for existing agency operators. During the year, three of our franchise operators remodeled and upgraded their facilities, each expanding the size of their store by at least 30%.

We stress quality and are quite selective in adding new accounts. We are not merely a wholesaling service for these stores but offer a complete program to enhance the operator's success as a retailer. Of the nine new accounts taken on last year, seven were "pre-sold" via talks with our present operators. All prospective new accounts are asked to talk with present Eisner franchise operators.

The Icing on the Cake

Eisner's bakery results have shown steady improvement in recent years including 1973. The introduction of a commercial bread line generated profitable additional volume, which is quite encouraging because of the very competitive nature of this product line. Customer acceptance indicates this as an area for healthy growth. Another well accepted new line is Gold Seal Frozen Cake. This variety of whipped cream products and specialty cakes is the first step in Eisner's development of a totally independent line of frozen pastry. The Gold Seal products are unique in our marketing areas and have an identity separate from our other bakery products.

White Hen Pantry

Buttrey Super Stores

White Hen Pantry's 1973 sales and earnings reached an all-time high. Both the company and the franchisees prospered.

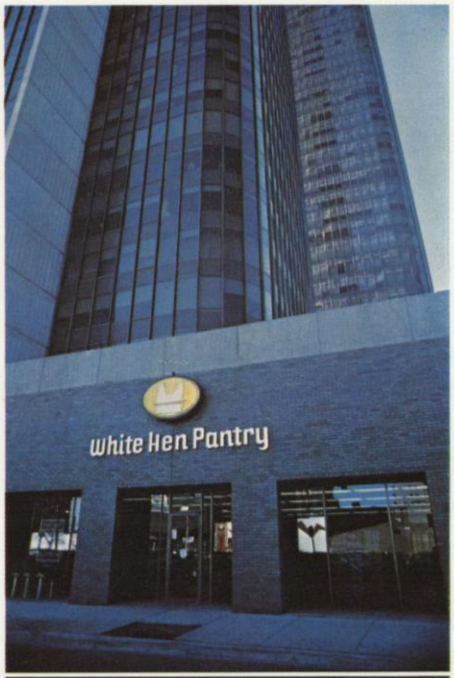
In 1972, consumer sensitivity to food prices, unfavorable summer weather in many areas, and extended supermarket hours indicated the need for an immediate, in-depth critique of every facet of the convenience food store business.

At White Hen Pantry, store operations were reviewed to develop expanded advertising and merchandising techniques such as full-line liquor departments, hand-dipped ice cream and localized sales promotion campaigns. Extended hour programs were also tested in a variety of White Hen Pantry stores. The results of these efforts helped in planning for the 1973 peak selling season.

As supermarket chains build larger stores and close smaller ones, the average distance from home to store increases and the number of supermarket shopping trips per customer usually declines. As a result, "short-hop" shopping for fill-in items becomes increasingly important. This situation favors continued growth and success for convenience food stores. In addition, neighborhood shopping is logical for today's consumer who is anxious to conserve gasoline.

In the category of individually developed locations, White Hen Pantry ranks among the fastest growing convenience store companies in the country. We opened our 200th White Hen Pantry store in Northbrook, Illinois, in February, 1974. Successful operations span a variety of locations from densely settled, highly ethnic Boston suburbs, to Chicago's high rise apartment complexes, to the less hurried country environment of small towns in Illinois and Wisconsin.

This White Hen Pantry at McClurg Court in Chicago is one of three stores in high rise apartments.



Our rapid growth is based on a firm commitment to a fair franchising concept which has enabled White Hen Pantry to attract and maintain high caliber franchisees. The essence of this concept is that Jewel does not profit from a location until after the franchisee begins to profit.

With this franchising concept as its underlying strength, White Hen Pantry will continue to expand rapidly in its present operating areas during 1974 and 1975. Steadily increasing sales and earnings are expected.

During 1973, Buttrey Food people continued their new store program in the Northwest states. A new store in Wenatchee, Washington and another in Casper, Wyoming, both new market areas, are highly successful. These stores are joint ventures with Osco Drug, furthering our overall plan to respond to the consumer's interest in "one-stop" shopping.

The Buttrey Foods/Osco Drug joint venture approach to the market will make it possible for us to continue entering new and potentially profitable areas. We are currently planning such joint developments in Fargo, North Dakota and Moorhead, Minnesota.

New Beef Packing Facility

In 1973, we continued updating our present facilities and have added and expanded departments to make our stores even more appealing to the customer. One such effort has been our federally-inspected, primal cut, boxed beef program. This provides improved

OSCO Drug

(Above) At the Buttrey meat plant, meat cutters cut up a carcass for the boxed beef program.

(Above left) Buttrey's 39 supermarkets now serve Idaho, Montana, Oregon, Washington and Wyoming.

(Left) Bakery Manager, Larry Major, at the Casper, Wyoming store, one of 33 Buttrey in-store bakeries.

Buttrey Foods/Osco Drug open a joint-venture in Wenatchee, Washington.

meat inventory control, quality and sanitation control and cost savings. This plant (10,000 square feet) processes about one-half million pounds of beef a month and gives us the ability to centrally process special items such as hamburger patties, including Beef Pattie Mix (a beef and soy product).

Autonomous Store Management

Our historic approach to strongly autonomous individual store management continues to serve us well. It is one reason we are able to open and operate Buttrey Food stores over a widespread area.

Management Teams

We entered 1974 with a good pool of people ready to fill our growth needs. A well-rounded administrative management team, which includes talented young people, prepares Buttrey Foods for future expansion with a minimum of recruiting and training expenses.

Another facet of our management style that allows us flexibility is our central administrative team. In addition to central office responsibility, each wears another hat—that of field supervisor in his area of expertise.

This sort of dual responsibility reduces field supervision expenses and also helps our management team keep up-to-date on market conditions and store needs, making them more effective in their primary roles. The use of a company-owned airplane makes this management approach feasible. One of the best-used corporate aircraft in the United States, our plane flew 178,200 miles and logged 891 hours in 1973.

We plan to open new stores in 1974 at Richland, Washington and Moorhead, Minnesota. We expect 1974 to be another year of increased sales and earnings for Buttrey Foods.

Osco people achieved a 12.2% increase in sales over 1972 on a comparable per-week basis. A significant part of this 1973 achievement was a 7.3% weekly sales gain in identical stores.

Earnings for 1973 increased at a faster rate than sales growth even though the freeze followed by Phase IV of the Federal Economic Stabilization Program had a severe impact. Osco's retail prices were frozen from June 13 through November 12, 1973. Because our accounting structure did not match the Phase IV federal reporting requirements, Osco was not able to raise prices in September (at the time most other businesses were permitted to do so).

On November 12, the Cost of Living Council granted an exception to Phase IV reporting requirements and approved our merchandise pricing plan. This allowed Osco to raise retail prices but only by the exact amount of cost increases experienced after September 19th. During the 23-week period we absorbed approximately 3,000 cost increases.

*Crest Portraits, here in action at Turn*Style, offers low-priced, quality photo services.*

Osco was able to more than offset the margin reductions from federal price controls by carefully controlling advertised product mix, installing well-defined merchandising programs, improving the in-stock positions of basic merchandise and reducing total distribution costs through the expanded use of our Elk Grove Village Distribution Center. Also, expense rates were reduced with better manpower scheduling and tighter control over other expense categories.

This Lafayette, Indiana Osco, one of three super stores, features an expanded card section.

Retired Osco Chairman, George Hilden, visits Osco's 200th store in Columbus, Indiana.

Osco Passes 200 Store Milestone

Osco continued its internal growth program with the addition of 21 new stores during 1973. We passed the 200-store mark and concluded the year with 201 stores in 17 states.

In line with overall Jewel Companies' objectives to expand geographically, but at a rate consistent with profit improvement goals, 86% of our new stores were added to existing market areas.

Stores were added to our present coverage of major markets: two in Boston, one in Indianapolis and 11 in Chicago. We entered three new market areas in the small communities of Casper, Wyoming; Columbus, Indiana and Wenatchee, Washington.

Three "Super" drug stores (stores with expanded general merchandise and sales areas above 16,000 square feet) were opened in fiscal 1973. Osco now has nine of these stores.

Of 1973's 21 new stores, 16 were built with Jewel supermarket companies. At year end, 125 of our 201 Osco stores were alongside a Buttrey, Star, Eisner or Jewel food store.

We believe that flexibility of size, product mix and market location has been a major influence on our 1973 improvement in sales and earnings.

Three Important Programs in 1973

Major efforts in 1973 were focused on improving operating procedures through several programs.

Pharmacy Development

Early in 1973, Osco's Chicago area pharmacists formed a Pharmacy Methods Committee to investigate ways to improve service and to enhance career opportunities.

In November, over seventy Chicago area pharmacists participated in the first continuing education seminar on drug interaction and over-the-counter drug effectiveness and safety. Additional continuing education programs are being made available to pharmacists throughout Osco. The committee is also analyzing pharmacy design, equipment needs and systems that could enhance customer/pharmacist contact. This will help accommodate our prescription volume which has increased more than 40% in identical stores since the 1971 introduction of our price-posting consumer information campaign.

Distribution Development

Service from our 150,000 square foot Distribution Service Center, completed in late 1972, was broadened in 1973 to cover more stores and more products. This facility now serves 154 Osco Drug Stores with seasonal and promotional products and a regularly stocked line of drugs, toiletries and general merchandise items. We are in the process of expanding our distribution center's service to include high-turnover pharmaceutical products. We are also beginning to provide stores with electronic order systems designed to improve order accuracy, to reduce order preparation time and to speed up delivery.

For the past two years we have been studying our overall distribution needs. Rigorous analysis is directed toward selecting, for each product group, that distribution path which provides the most consistent product delivery at the lowest distribution cost.

Turn*Style

This Osco pharmacy in Niles, Illinois illustrates the new pharmacy decor and Osco's prescription price posting.

*This catalog showroom in Niles, Illinois is one of five opened in Turn*Style stores.*

Altering of distribution methods has resulted in lower product costs and expense levels, a reduced incidence of stock "outs" and lower inventories.

Photographic Services

Crest Photo, our photo processing laboratory opened in late 1971 in Elgin, Illinois, expanded its service area in 1973. It now provides photo finishing services for Osco, Turn*Style, Jewel Food Stores and for the Direct Marketing Division.

In 1973, Crest people initiated two new programs. One is Crest Portraits, a promotional portrait business offering low-priced, quality photo services to customers in Jewel Companies' Chicagoland stores. Another is Crest Microproducts, a microfilm service bureau producing computer output microfilm. This division of Crest initially served the internal needs of Chicago area Jewel companies but is now broadening its sales efforts to outside accounts.

Outlook—1974

We have established major goals for operating performance improvement. We expect improvements to come from added sales and earnings of newer, maturing stores. While our 1974 growth plans will place Osco in several small new markets, most of our new stores are targeted for established territories.

Product shortages, the energy crisis and an unsure economic climate will be serious concerns to us in 1974. Yet, we have confidence in our internal momentum, in the potential of our industry and in the strengths of our combined resources and partnerships in the Jewel family.

During 1973, Turn*Style entered the catalog showroom business, opened two new stores and closed one. Because our new stores are within the Chicago area, we avoided excessive new market entry expenses. Our 1973 sales, profit and return on invested capital all improved over 1972 results.

Two New Turn*Styles

In August, we opened our Niles, Illinois store in a center which includes Jewel Food, Osco Drug and Republic Lumber. This location helps solidify our position in Chicago's fast-growing northwestern suburbs.

In November, we opened our Grand and Kostner store in a Chicago community of diverse ethnic makeup. During its grand opening period, this store broke all of Turn*Style's sales records and continues to be among the top stores in our chain. We are enthusiastic about being joined by a Jewel Grand Bazaar at this location in mid-1974.

Our New Catalog Showroom Business

Early in 1973, Turn*Style launched a plan to enter the catalog showroom business. The addition of the "Turn*Style Plus" catalog is a significant step toward differentiating Turn*Style from other mass merchandisers. We are intrigued by the rapid growth in this field ($2 billion annual sales in 1972) and by the opportunity to extend our merchandise lines into higher priced giftware and fine jewelry.

In addition to offering new merchandising opportunities, our research shows that our catalog will expand the market area around each store, increase penetration and extend the shopping trip into our customer's home.

The concept of discount catalog retailing is not new, but has become popular recently because the efficiencies involved afford an opportunity for lower retail prices. Displaying only a sample of each item while on-site warehousing the rest, reduces shrink and damage.

"Cards, Books 'n Things" at Jewel Village in Westmont, Illinois, illustrates the successful "shop" concept.

*During the year, Turn*Style appointed Nan Duwe to the new position of Consumer Affairs Advisor.*

The categories most important to catalog showrooms are fine jewelry, giftware, appliances, cameras, and electronic items. Customers wishing to order items may visit the store, prepare an order form and receive the merchandise in minutes. They may also mail the order form to our warehouse for home delivery and, if they wish, may telephone to check if items are in-stock and then come to pick them up.

Five "Turn*Style Plus" catalog showrooms were opened this fall. Three were installed in existing Turn*Style stores and two opened in conjunction with our new stores. The showrooms vary in size from 6,500 square feet of sales area to 10,000 square feet. Each is testing a variety of concepts to be evaluated for use in further expansion.

Our first catalog is 384 pages and was purchased from another company. In 1974, we will produce our own 400-page catalog jointly with Malone and Hyde, an outstanding Memphis-based retail company and offer it for sale to other noncompeting catalog retailers. Producing our own catalog makes better use of our existing buying and advertising talent and provides better control for margins, prices and quality standards.

We Tightened Our Belt

Late in 1972, we undertook a major streamlining of Turn*Style management. Improved new systems and a maturing of our management team made it possible to consolidate departments and reduce the number of section managers per store, depending on the volume and the location of each store.

Similar consolidations were effected at supervisory levels. Field operating divisions were given substantial latitude to implement the company's merchandising programs. These changes have resulted in improved morale and an increased confidence level of our management people. At the same time, our high standards of store merchandising and operating have been maintained.

Continued Expansion of the Shop Concept

We opened our third "Cards, Books'n Things" shop in 1973, each within a Turn*Style, and have plans for four more in 1974. We have tried to establish a feeling of personal service and quality to complement our decor and merchandise.

Our "Village Fashions" shop, featuring nationally advertised fashion apparel, continues to produce favorable results. We expect to expand this concept because name-brand merchandise has become an added attraction for the store.

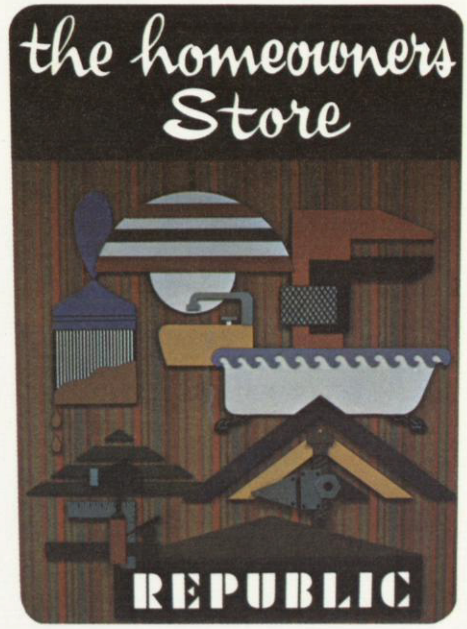
Increased Focus on Customer Feedback

Nan Duwe, former soft goods buyer and general manager of Girls and Infants apparel, was appointed to a new consumer affairs advisor position. Largely through her efforts, we strengthened our guarantee policy and relocated our customer service centers to the front of each store.

New Distribution Facilities

Late last year, we opened a distribution facility in Elgin, Illinois to process wearing apparel. A warehouse to support our catalog showrooms opened in Franklin Park in August, 1973. These facilities make possible certain buying and freight economies, permit more rapid store replenishment, provide better inventory controls and insure better service and lower prices for our customers.

Ira Nathanson, Vice President, Construction Division, discusses promotional material with Steve Dooley at the in-store garage display in Republic's Niles, Illinois store.



The "Village Fashions" shop at Jewel Village attracts customers with its name-brand merchandise.

The Year Ahead

Further expansion is planned in 1974 with primary emphasis on our Chicago marketing area. We plan to build one new Turn*Style, in Chicago's central city.

As we move into 1974, we know there will be material shortages—particularly in plastics, steel and man-made fabrics. We are confident that if anyone can obtain merchandise, our experienced, skilled buyers can. We know prices will go up and customers are weary of spending more for less. This is a sensitive situation calling for our people to be especially empathetic with the customer. Our concept of retailing and our creative people place us in a position to help customers stretch their dollars in these difficult times.

For the people of Republic Lumber, 1973 was a year of transition. To most effectively build on our strengths, we reorganized into two distinct operating divisions: Construction and Retail. A general manager was named for each division.

A detailed growth plan was developed for each division and new management talent was added. Joining the Jewel family of companies has given Republic access to management talent not typically available to a small retail company.

Principally concerned with building garages, the Construction Division had its most successful year in 1973 with a 12% increase in number of garages constructed. Toward the end of the year, we entered into a garage concession agreement with Sears,Roebuck and Company, under which Republic will be responsible for sales and construction of all residential garages sold through Sears at four of their Chicago stores.

Republic's Retail Division experienced difficulty in 1973, due to both soft sales and our investment in growth start-up costs. These expenditures, though important for future growth, are disproportionate to our sales level in the short term.

As a "Complete Home Care Center," we hope to earn the reputation of being the store for ideas and solutions—ideas for remodeling or improving a family's present living space and solutions to current problems with that space.

Our Niles, Illinois store, opened in November, gave us an opportunity to translate into practice these newly stated objectives. Specifically, we did the following: Increased selling area of the store, expanded product lines, added a depth to lines already carried and a do-it-yourself library, exposed more lumber and building materials for self-service sales and included kitchen, bathroom and garage displays for installed sales.

Another new Republic facility is the 50,000 square foot distribution center occupied in early 1974. Both divisions will use this center. Lumber, building materials, gypsum and plywood can now be purchased and handled in economical boxcar quantities direct from the mills.

With new home construction down, and fuel shortages that could lead to more time spent at home, consumers may well make 1974 their do-it-yourself year. This expected repairing and remodeling boom will generate a greater need for the help and materials Republic Lumber can provide.

JEWEL
SHOPPING SERVICE IN HOME

(Left) Tea bags are another of the 700 products packaged in Barrington.

(Below left) Don Hurst, Direct Marketing Division route man, calls on one of his customers in Lodi, California.

(Below right) This "Icies" production line is part of Direct Marketing's manufacturing operations in Barrington, Illinois.

The programs implemented during the year helped us overcome a disappointing first half and close 1973 with a healthy momentum for the year ahead.

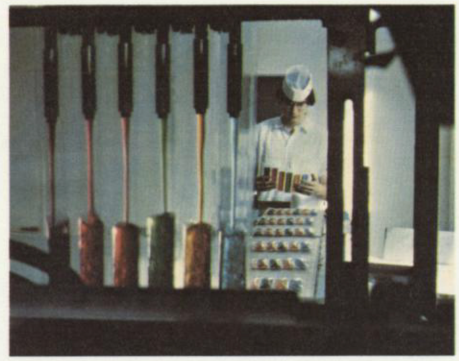
As one of the major programs initiated during the early part of the year, we introduced new features to our basic sales pay program.

This new program provides incentives for expense control. A Jewel salesperson is rewarded when selected expense items meet established objectives. In addition to the bonus paid the Jewel representative who achieves these objectives, we set aside a like amount in a deferred bonus fund. Thus, the company further rewards top performing, long-service salespeople.

While it took several months for the full effect of the modifications to become apparent, by early fall we began to see a rise in both sales and collections. These increases confirmed that the improved incentive features were taking hold, especially on the higher volume routes.

The second major program was a review of all operating routes throughout the United States, with both historic performance and market potential being examined. As a result of this analysis, we closed or consolidated 178 routes in all parts of the country, reducing our total route count from 1,746 to 1,570.

Though this 10% reduction in routes did not affect our total sales, there were added expenses during this consolidation. Our earnings performance during the last half of 1973, while stronger compared to 1972, was, of course, reduced by these one-time consolidation expenses.



A complete understanding of this 75-year-old Jewel company suggests that its fundamental strength rests with the hundreds of dedicated customer-oriented people in every state in which we operate. Their unusual commitment to service allows us to regularly serve more than 700,000 customers in their homes. One-third of our people have over ten years of service. It is this group that provides the stable base from which our customer-service business continues its remarkably successful life.

Our manufacturing and distribution team in Barrington, Illinois, also contributes in an important way to our business. Some are developing new products and improving existing ones, others are dedicated to the manufacture and distribution of these items. Customers for our manufactured products include not only the Jewel Home Shopping Service and other Jewel companies, but a number of retailers who believe that we can fill some of their private label needs.

As in years past, we continue to review our priorities and update them as needs change. For the next several years we will continue market analyses to insure an operation of strong routes both individually and geographically. While this may suggest further consolidation, our experience shows that sales and collections by individual routes are more critical to the health of the business than the total number of routes.

Additionally, we plan a more aggressive approach to reducing the capital invested in inventories and in consumer credit. This should insure a better return on our investment and free capital funds for reinvestment in this business and other Jewel companies.

As we begin our 75th year, we anticipate new challenges. With raw material quotas and limitations, we are experiencing difficulty in obtaining materials for manufacturing. To date, we have been able to meet nearly all our needs, yet we have no way of knowing when we may be in short supply. Petrochemicals are an example, yet shortages are also occurring in paper labels, corrugated liner board and glass products. Our long history of dealing fairly with quality suppliers should help us through this period of shortages.

During periods of less than full employment, we generally experience less turnover of salespeople. Since salesforce turnover, one of the barometers of this industry, declined somewhat as the year progressed, we expect that 1974 will be the 54th consecutively profitable year for Jewel's route business.

Mass Feeding Corporation

Children enjoy an MFC lunch at Cumberland School in Des Plaines, Illinois.

MFC's volume levels in the latter half of the year enabled us to achieve slight profits for the year in contrast to prior years' losses. By extending services to major metropolitan areas of New York, New Jersey and Massachusetts, MFC broadened its market penetration. Service levels continued to expand in Midwestern states. These factors resulted in serving 3.4 million more lunches than we did in 1972.

MFC's leadership position among elementary school lunch programs has been particularly strengthened in 1973. The reasons are these: (1) New menu varieties resulted from child preference testing; (2) Our economical production methods attracted new school districts as they experienced the inflationary impact on lunchroom costs; (3) Customer Service Representatives continued to visit schools to help insure smooth operation of lunch programs.

The innovative problem-solving talents of MFC people hold forth the promise of improved nutrition for a growing number of students.

Near year-end, Jewel Companies, Inc. tendered for all of the outstanding common stock of MFC.

Brigham's

The new decor has now been red, white and blued into 25 Brigham's stores.

The Dorothy Muriel Candy Plant is now in full operation after its move in late 1973 from Cambridge to South Boston.

Although Brigham's reported an operating loss last year, we had a profitable year in 1973.

A contemporary store design introduced near the end of 1972 was incorporated in 25 stores by the end of 1973. Sales in these units have averaged a 23% increase over the previous year. While many of the redesigned stores were enlarged, several added seating capacity without enlargement.

In 1973, two new stores were opened while seven obsolete stores were closed. Along with changes in the physical appearance of these stores, we installed modern kitchen equipment.

Candy Plant Moves

In 1973, our Dorothy Muriel Candy Plant was moved from Cambridge to South Boston. As a result, product availability was limited for several months, adversely affecting candy sales and earnings. The new, though smaller, plant is capable of more efficient and greater production for the future.

Along with emphasis on store decor, improved equipment and upgraded sandwich shop menus, 1973 brought continued emphasis on people development. We closed the year with a more experienced and stable store and field management team. In addition, we implemented improved systems and procedures. The Short Interval Scheduling system has helped manage store payrolls more effectively.

We feel the "bright new look" at Brigham's, together with improved food presentation, increased candy business through our new plant and our long-standing reputation for ice cream will bolster customer appeal in 1974.

Summary of Significant Financial Policies

Bank credit lines are maintained at all times to assure an adequate source of short-term funds to meet seasonal borrowing requirements and to fully support sales of commercial paper. These credit lines are supported by cash balances at the respective banks which in turn are largely generated through regular banking activities and do not restrict the availability of such funds in meeting the Company's daily obligations. Interest charged on use of bank credit is at the prime lending rate and the Company's commercial paper is rated A-1 by Standard & Poor's, the highest rating given to corporate short-term borrowers in the commercial paper market. In 1973, a seasonal peak of short-term indebtedness of $54,500,000 was reached in November. Within seven weeks, all such indebtedness had been repaid. Throughout 1973, the Company's bank credit line totaled $55 million.

During 1973, product costs increased substantially and, in consequence, funds needed to carry inventory rose significantly. Additionally, in some cases, payment terms to our suppliers were shortened to assure supply during periods of product shortages. These factors produced a need for increasing amounts of working capital, and in consequence, at the end of fiscal 1973, the Company negotiated a $40 million four-year prime rate revolving credit agreement with a group of its principal money-market banks to assure a source of additional working capital. An amount of $20 million was borrowed against this credit arrangement on January 31, 1974. Upon execution of the revolving credit agreement, bank credit lines were reduced to $40 million.

It is the practice of the Company to restrict corporate long-term debt commitments to one-third of total capitalization even though under provisions of existing long-term loan agreements it may incur long-term debt of 40% of total capitalization. This programmed borrowing reserve is designed to provide resources to take advantage of unusual or unexpected opportunities as well as to protect the Company in the event of unforeseen contingencies. At February 2, 1974, the ratio of corporate long-term debt to total capitalization was 27.7%.

Land and construction for new stores and supporting facilities are financed whenever possible through the Company's real estate affiliates where, based upon a lease from Jewel Companies, Inc., individual affiliated real estate corporations borrow approximately 99% of the cost of land and buildings. Utilizing Jewel real estate affiliates for financing retail properties contributes not only to the growth in earnings of the Company through lower financing costs, but also retains the residual value of these properties for the Company. At the end of fiscal 1973, book value of land and construction owned by the Company's real estate affiliates totaled $132,024,000 including land of $40,631,000 and book value of construction of $91,393,000.

Financial commitments for new facilities developed by the Company's real estate affiliates are arranged before the start of construction. As of February 2, 1974, the Company had invested $18,008,000 in properties under construction, all of which was covered by permanent financing commitments.

The Board of Directors approves the Company's aggregate financial structure and capital usage. The Finance Committee is responsible for the allocation and reallocation of financial resources among Jewel's various operating companies based on existing and prospective return on investment within each company.

Summary of Significant Accounting Policies

PRINCIPLES APPLIED IN CONSOLIDATION

The consolidated financial statements include the accounts of Jewel Companies, Inc., its wholly-owned subsidiaries and its affiliated real estate corporations. Jewel owns preferred stock convertible into 99% of the equity of the real estate affiliates. The equity of the Company in the net assets of the consolidated subsidiaries and affiliated real estate corporations is the same as the carrying amount of the investments. All significant intercompany transactions are eliminated.

The Company has invested in companies—foreign and domestic—whose statements are not consolidated herein. Its investments in Aurrera, S.A. (Mexico), 49.0% owned, and Mass Feeding Corporation, 54.6% owned, are carried at cost plus equity in undistributed earnings since acquisition.

INVENTORIES

Inventories are valued at the lower of cost or market, with cost being determined on a first-in, first-out basis. Out-of-season and discontinued merchandise is reduced to expected realizable value.

PROPERTY, PLANT AND EQUIPMENT

The policy of the Company is to maintain its properties in good and serviceable condition. The cost of maintenance and repairs which does not extend the life of the assets is charged against earnings while major enlargements, remodelings or improvements are charged to the property accounts.

Straight line depreciation over the useful lives of depreciable property is used for financial statement purposes and accelerated methods are used for tax purposes. Leasehold improvements are amortized over the shorter of estimated physical life or the term of the lease. The useful lives approximate 37 years for buildings, 17 years for leasehold improvements, 10 years for equipment, 6 years for trucks and trailers and 3 years for passenger cars.

The cost of property, plant and equipment is eliminated from the accounts at the time assets are sold or retired. Gains and losses on normal dispositions are recorded in the accumulated depreciation account for the respective asset group. The cost of replacements is charged to the asset account and depreciated over its estimated useful life.

INCOME TAXES

The Company recognizes the investment tax credit as a reduction in federal income taxes in the year eligible equipment purchases are made.

The Company's policy is to provide for all taxes on earnings of its foreign affiliate expected to be repatriated. Taxes not provided on foreign earnings reinvested for indefinite periods are not material.

Deferred income taxes arise because of differences in the timing in reporting items of income and expense for tax purposes compared to their recognition in the financial statements. The primary difference occurs in depreciation. The portion of such taxes which are estimated to be payable in the ensuing year are included in Current Liabilities with the balance included in Deferred Income Taxes.

OTHER DEFERRED LIABILITIES

Costs associated with the Company's self-insurance and contingent compensation plans are charged against current earnings. The portion of such costs estimated to be payable in the ensuing year is included in Current Liabilities with the balance included in Other Deferred Liabilities.

PRE-OPENING COSTS

The Company follows the practice of charging all expenses incurred prior to the opening of a new retail unit or other facility against income as they are incurred.

FOREIGN INCOME

Foreign income has been translated at current exchange rates during the year.

LEASES

The Company leases certain of its retail locations and equipment. Leases are not capitalized because they do not represent a purchase of an economic interest.

PROFIT SHARING AND RETIREMENT COST

Nearly all employees meeting service requirements are covered by profit sharing plans under which the Company makes annual contributions, determined by formula related to earnings, to provide retirement benefits. Retirement funds are held in trust, apart from Company funds. Benefits are determined by the market value of the trusts (approximately $195,000,000 at the end of 1973) and are fully funded.

The Company also provides retirement benefits for certain employees through contingent compensation plans and by payments to industry pension plans. These costs are for current service and entail no past service liability.

Statement of Earnings

	52 Weeks Ended Feb. 2, 1974	53 Weeks Ended Feb. 3, 1973
	(In thousands)	
Sales:		
Food Stores	$1,631,361	$1,464,962
Drug Stores	256,691	232,868
Self-Service Department Stores	181,389	173,270
Direct Marketing Division	88,508	87,575
Other Sales and Revenues	61,652	50,619
Total Sales	2,219,601	2,009,294
Cost of Doing Business:		
Cost of Goods Sold	1,762,198	1,578,810
Selling, General and Administrative Expense	400,244	376,887
	2,162,442	1,955,697
Operating Income	57,159	53,597
Foreign Income	5,467	4,271
Interest Income	529	404
Interest Expense:		
Obligations of Jewel Companies, Inc.	(8,008)	(5,577)
Obligations of real estate affiliates	(7,082)	(5,994)
Earnings Before Income Taxes	48,065	46,701
Provision for Income Taxes	18,475	18,034
Earnings Before Extraordinary Item	29,590	28,667
Extraordinary Item—Gain on liquidation of investment in G B Entreprises (Belgium), net of income taxes of $3,110,000 and $562,000, respectively	6,746	1,199
Net Earnings	$ 36,336	$ 29,866
Earnings per Average Common Share Outstanding:		
Before extraordinary item	$ 3.95	$ 3.84
Extraordinary item	.90	.16
Net Earnings	$ 4.85	$ 4.00

The accompanying notes and summary of significant accounting policies are an integral part of the financial statements.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To The Shareholders and Board of Directors
Jewel Companies, Inc.

We have examined the consolidated statement of financial position of Jewel Companies, Inc. as of February 2, 1974 and February 3, 1973 and the related statements of earnings, shareholders' equity, and changes in financial position for the fifty-two and fifty-three week periods then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of Jewel Companies, Inc. at February 2, 1974 and February 3, 1973, the results of its operations and the changes in financial position for the fifty-two and fifty-three week periods then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Touche Ross & Co.

Chicago, Illinois
March 21, 1974

Statement of Financial Position

	Feb. 2, 1974	Feb. 3, 1973
	(In thousands)	
ASSETS		
Current Assets:		
Cash	$ 17,963	$ 14,967
Marketable securities and certificates of deposit, at cost which approximates market	12,035	6,083
Accounts receivable, less allowances ($1,323,000 and $1,248,000, respectively)	25,248	24,582
Inventories	187,409	150,956
Prepaid expenses and supplies	8,881	6,493
Total current assets	251,536	203,081
Investments	36,552	36,865
Property, Plant and Equipment, at cost, less accumulated depreciation	383,462	338,292
	$671,550	$578,238
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 94,269	$ 81,160
Payrolls and other expenses	60,953	51,015
Income taxes	6,848	8,835
Current maturities of long-term debt:		
Obligations of Jewel Companies, Inc.	3,645	2,029
Obligations of real estate affiliates	5,166	4,555
Total current liabilities	170,881	147,594
Long-Term Debt, less current maturities:		
Obligations of Jewel Companies, Inc.	100,662	77,691
Obligations of real estate affiliates	98,341	83,529
Deferred Income Taxes	31,123	24,674
Other Deferred Liabilities	7,815	6,637
Shareholders' Equity:		
Preferred stock—3¾% cumulative $100 par value—authorized and issued 31,500 shares at Feb. 2, 1974	3,150	3,150
Common stock—$1 par value—authorized 25,000,000 shares, issued 7,491,706 shares at Feb. 2, 1974	72,260	71,480
Retained earnings	188,537	164,675
Treasury stock at cost	(1,219)	(1,192)
Total shareholders' equity	262,728	238,113
	$671,550	$578,238

The accompanying notes and summary of significant accounting policies are an integral part of the financial statements.

Statement of Shareholders' Equity

Two Years Ended February 2, 1974

	Preferred Stock	Common Stock	Treasury Stock	Retained Earnings
		(Dollars in thousands)		
Balance, January 29, 1972				
—Outstanding shares	31,500	7,385,478	(16,279)	
—Amount	$ 3,150	$ 69,948	$ (1,177)	$146,516
Pooling of interests—50,000 shares common		50		592
Net earnings for the year—1972				29,866
Cash dividends declared:				
Preferred stock—$3.75 per share				(58)
Common stock—$1.645 per share				(12,241)
Treasury shares purchased—245 shares preferred			(15)	
Common stock issued:				
Employee stock purchase plan—12,792 shares		552		
Stock option plan—23,013 shares		930		
Balance, February 3, 1973	3,150	71,480	(1,192)	164,675
Net earnings for the year—1973				36,336
Cash dividends declared:				
Preferred stock—$3.75 per share				(56)
Common stock—$1.66 per share				(12,418)
Treasury shares purchased—500 shares preferred			(27)	
Common stock issued:				
Employee stock purchase plan—17,723 shares		684		
Stock option plan—2,700 shares		96		
Balance, February 2, 1974				
—Amount	$ 3,150	$ 72,260	$ (1,219)	$188,537
—Outstanding shares	31,500	7,491,706	(17,024)	

The accompanying notes and summary of significant accounting policies are an integral part of the financial statements.

Statement of Changes in Financial Position

	52 Weeks Ended Feb. 2, 1974		53 Weeks Ended Feb. 3, 1973	
	Operations	Extra-ordinary Item	Operations	Extra-ordinary Item
	(In thousands)			
Source of Funds—				
From Operations:				
Net earnings	$ 29,590	$ 6,746	$ 28,667	$ 1,199
Charges and credits not affecting funds:				
Equity in undistributed earnings of unconsolidated affiliates	(3,367)		(3,706)	
Depreciation and amortization	32,358		27,708	
Deferred taxes and other deferred liabilities	7,627		6,179	
	66,208	6,746	58,848	1,199
From Financing:				
Sale of capital stock (net)	753		1,467	
Long-term debt:				
Jewel Companies, Inc.:				
New debt	35,636		15,425	
Repayments	(4,715)	(7,950)	(4,077)	(5,453)
Real estate affiliates (net)	14,812		14,670	
	$112,694	$ (1,204)	$ 86,333	$ (4,254)
Use of Funds—				
Dividends to shareholders	$ 12,474	$	$ 12,299	$
New property, plant and equipment (net):				
Jewel Companies, Inc.	55,013		59,444	
Real estate affiliates	22,515		18,701	
Increase (decrease) in investments	333	(4,013)	1,170	(4,254)
Increase (decrease) in working capital	22,359	2,809	(5,281)	
	$112,694	$ (1,204)	$ 86,333	$ (4,254)
Change in Working Capital—				
Increase (decrease) in current assets:				
Cash	$ 187	$ 2,809	$ (7,051)	
Marketable securities	5,952		(2,625)	
Accounts receivable	666		2,755	
Inventories	36,453		13,975	
Prepaid expenses and supplies	2,388		163	
	45,646	2,809	7,217	
Increase in current liabilities:				
Payables, accruals and taxes	21,060		11,904	
Current maturities of long-term debt	2,227		594	
	23,287		12,498	
Increase (decrease) in working capital	$ 22,359	$ 2,809	$ (5,281)	

The accompanying notes and summary of significant accounting policies are an integral part of the financial statements.

Notes to Financial Statements

INVESTMENTS

	Feb. 2, 1974	Feb. 3, 1973
	(In thousands)	
Affiliates:		
At cost plus equity in undistributed earnings since acquisition—		
Aurrera, S.A., Mexico (49.0%)	$32,903	$29,504
Mass Feeding Corporation (54.6%)	1,762	1,761
At cost — G B Entreprises, S.A., Belgium (12.5% at Feb. 3, 1973)	—	4,014
All other	1,887	1,586
	$36,552	$36,865

The carrying basis of the investment in Aurrera, S.A., and Mass Feeding Corporation exceeds the Company's equity in the book value of underlying assets by approximately $14,750,000 and $940,000, respectively. These amounts, attributable to acquisitions made prior to November 1, 1970, are not being amortized because the Company anticipates no diminution in value in the foreseeable future.

During 1973, the Company sold its remaining investment in G B Entreprises, S.A., at a gain of $9,856,000, less income taxes of $3,110,000.

PROPERTY, PLANT AND EQUIPMENT

The Company's investment in property, plant and equipment consists of the following:

	Feb. 2, 1974	Feb. 3, 1973
	(In thousands)	
Buildings	$159,918	$139,871
Less allowance for depreciation	33,172	28,279
	126,746	111,592
Equipment and leasehold improvements	335,143	293,618
Less allowance for depreciation and amortization	144,332	124,292
	190,811	169,326
Land	65,905	57,374
Total property, plant and equipment	$383,462	$338,292

SHORT-TERM DEBT

Lines of credit are maintained with commercial banks ($55 million during 1973) to assure the availability of adequate short-term funds to meet seasonal borrowing requirements. During 1973, short-term borrowings from banks or through sales of commercial paper ranged from $ 0 to $54.5 million averaging approximately $31.4 million on a weekly basis. The bank lines are, in turn, supported by cash balances at the line banks. The arrangements with the banks are informal in nature; the supporting balances are largely generated from the normal time lag in presentation of company checks for payment and from receipts in the process of collection and do not restrict the availability of such supporting funds in meeting our daily obligations.

Interest rates on short-term borrowings during 1973 ranged from 6⅛% to 10¾% and averaged 8¼%.

INCOME TAXES

Taxes on income consist of the following:

	52 Weeks Ended Feb. 2, 1974	53 Weeks Ended Feb. 3, 1973
	(In thousands)	
Federal		
Currently payable	$13,412	$14,072
Deferred	5,759	4,416
Investment tax credit	(2,904)	(2,899)
	16,267	15,589
State and Local		
Currently payable	1,788	1,987
Deferred	420	458
	2,208	2,445
	$18,475	$18,034

Deferred income taxes arise because of differences in the timing in reporting items of income and expense for tax purposes compared to their recognition in the financial statements. The principal timing difference, depreciation, accounted for $5,417,000 of the deferred income tax provision in 1973 and $4,939,000 in 1972.

It is presently anticipated the new deferrals in the succeeding three years will equal, or be greater than, the amount of prior deferrals which will become currently payable.

Examination of federal income tax returns of the Company and subsidiaries for fiscal years 1969 and 1970 was completed in 1973. Additional assessments related primarily to timing differences and had no effect on current year's income.

Total federal income tax expense for 1973 and 1972 was less than the statutory corporate tax rate. The table below reconciles the statutory tax rate to the effective rate:

	1973	1972
Statutory tax rate	48.0%	48.0%
Investment tax credit	(6.3)	(6.6)
Foreign income—no domestic income tax	(5.5)	(4.6)
All other (net)	(.7)	(1.6)
Actual tax rate	35.5%	35.2%

LONG-TERM DEBT

Long-term debt at February 2, 1974, was as follows:

	Rate	Total Debt	Maturities
		(In thousands)	
Jewel Companies, Inc.			
Insurance Companies	6.875%	$ 30,000	1974-1993
Insurance Companies	7.875%	30,000	1975-1994
Domestic Banks	4.50%	17,500	1974-1987
Domestic Banks	*	20,000	1978
All other (average rate)	5.25%	6,807	1974-1997
		$104,307	

*Prime lending rate

Real Estate Affiliates (average rate)	7.6%	$103,507	1974-1999

Long-term debt matures as follows:

	Jewel Companies, Inc.	Real Estate Affiliates
	(In thousands)	
1974	$ 3,645	$ 5,166
1975	$ 5,128	$ 5,457
1976	5,127	5,645
1977	5,130	5,887
1978	25,364	5,720
1979 and thereafter	59,913	75,632
	$100,662	$98,341

On January 25, 1974, the Company entered into a $40,000,000 revolving credit agreement with a number of its principal banks. The agreement provides for interest on any borrowings at the prime rate on a floating basis and expires on March 1, 1978. On January 31, 1974, $20,000,000 was received under this agreement.

During 1972, the Company negotiated a new loan maturing in 1994 for $30,000,000 with three insurance companies at a rate of 7.875% per annum; $15,000,000 was received in each of the years 1972 and 1973. The loan provides for equal annual payments of $1,500,000 beginning in 1975.

The Company's loan agreements provide restrictions as to the maintenance of working capital (as defined) and payment of cash dividends on common stock. As of February 2, 1974, the net working capital was approximately $37,000,000 in excess of minimum requirements, and retained earnings not restricted for cash dividends were $70,000,000.

The long-term debt of the real estate affiliates is not a direct obligation of Jewel Companies, Inc., but is secured by the assignment of lease agreements between Jewel and these affiliates and will be fully amortized during the firm term of each lease, generally 20 years.

CAPITAL STOCK

At February 2, 1974, there were 590,775 shares of common stock reserved, of which 58,681 were for the Employee Stock Purchase Plan and 532,094 were for Stock Options, including 200,000 shares reserved in 1973.

The following summary shows the changes in stock options:

Stock Option Plan	1973	1972
Options outstanding—beginning of year	331,650	310,600
Options granted	105,000	56,000
Options exercised	(2,700)	(23,013)
Options cancelled	(31,350)	(11,937)
Options outstanding—end of year	402,600	331,650

	Feb. 2, 1974	Feb. 3, 1973
Options exercisable	186,800	141,000
Shares available for grant	129,494	3,144

Outstanding options were granted at prices ranging from $29.88 to $65.00 per share, the approximate market price on the date of grant, become exercisable in equal installments over a four-year period and expire five years from the date of grant.

The option price is set at approximately fair market value on the date granted, hence there is no compensation to be charged to the income account. All of the proceeds from the exercise of stock options are added to the Common Stock Account (less cost, when treasury shares are issued).

At February 2, 1974, 437 shares of common stock (cost $23,000) and 16,587 shares of preferred stock (cost $1,196,000) were held in the treasury. The preferred stock was acquired for sinking fund requirements of the issue, which require full retirement by 1984. Sinking fund requirements are satisfied through 1979.

LEASE COMMITMENTS

The Company leases certain of its retail and other locations under firm-term lease arrangements ranging from 5 to 25 years (principally 15 years for retail locations), plus a number of varying renewal options. Rentals for leased real properties (excluding those leased from real estate affiliates) were $22,035,000 in 1973 and $20,607,000 in 1972, after reduction for sublease income of $664,000 and $691,000, respectively. Included in net rental expense are $1,652,000 in 1973 and $1,525,000 in 1972 of rentals determined by sales volume. As of February 2, 1974, minimum annual payments for leased real properties were as follows:

Year	Amount	Years	Amount
	(In thousands)		*(In thousands)*
1974	$21,356	1979-1983	$16,420 per year
1975	20,401	1984-1988	11,983 per year
1976	19,654	1989-1993	5,844 per year
1977	18,455	1994 and	
1978	17,717	thereafter	620 per year

The present value (debt content) of total real property lease commitments amounts to approximately $115,000,000, excluding the present value of rentals to be received from existing noncancelable subleases which are not significant. The present value was determined by discounting the aggregate commitments under net leases and 75% of aggregate commitments under gross leases at interest rates appropriate for their respective starting dates. (Approximately 25% of gross base rentals cover real estate taxes, maintenance and insurance costs borne by landlords; such costs are assumed by Jewel under net leases.) Interest rates ranged from 4.75% to 9.45%; weighted average rate was 7.76%.

Certain of the above leases (principally those with firm-term lease periods of more than 20 years) could be considered non-capitalized financing leases as defined by the Securities and Exchange Commission. The effect of not capitalizing such leases is considered insignificant (present value is less than 4% of total long-term debt and stockholders' equity). If these leases had been capitalized, the effect on net earnings would be less than 1%.

COSTS AND EXPENSES

Set forth below is a comparative summary of significant costs and expenses:

	1973	1972
	(In thousands)	
Depreciation and amortization		
Jewel Companies, Inc.		
Buildings	$ 2,452	$ 1,359
Equipment	26,531	23,588
	28,983	24,947
Real estate affiliates		
Buildings	3,295	2,677
Equipment	80	84
	3,375	2,761
	$32,358	$27,708
Taxes, other than income		
Payroll	$19,834	$15,532
Property	9,638	9,426
Other	1,888	1,606
	$31,360	$26,564
Rents		
Real estate	$22,035	$20,607
Personal property	3,599	3,138
	$25,634	$23,745
Advertising	$23,875	$21,140
Retirement benefit plans		
Profit sharing plans	$ 9,113	$ 8,653
Industry pension and other plans	2,373	1,958
	$11,486	$10,611

Ten Years of Progress

(In thousands except per share figures)	1973	1972†	1971
OPERATING RESULTS			
Sales:			
Food stores	$1,631,361	$1,464,962	$1,332,480
General merchandise stores	438,080	406,138	353,638
Other sales and revenues	150,160	138,194	129,131
Total	2,219,601	2,009,294	1,815,249
Operating income:			
Food stores	42,090	41,160	38,851
General merchandise stores	12,772	10,697	7,563
Other operating units	2,297	1,740	4,131
Total operating income	57,159	53,597	50,545
Foreign income	5,467	4,271	4,081
Interest income	529	404	529
Interest expense:			
Jewel Companies, Inc.	(8,008)	(5,577)	(5,216)
Real estate affiliates	(7,082)	(5,994)	(4,681)
Earnings before income taxes	48,065	46,701	45,258
Provision for income taxes	18,475	18,034	18,550
Earnings before extraordinary income	29,590@	28,667@	26,708
Earnings retained	23,862	17,567	15,016
Depreciation and amortization	32,358	27,708	23,336
New property, plant and equipment (net):			
Jewel Companies, Inc.	55,013	59,444	46,220
Real estate affiliates	22,515	18,701	15,649
FINANCIAL POSITION			
Working capital	$ 80,655	$ 55,487	$ 60,768
Total assets	671,550	578,238	519,962
Long-term debt, less current maturities:			
Obligations of Jewel Companies, Inc.	100,662	77,691	71,796
Obligations of real estate affiliates	98,341	83,529	68,859
Common shareholders' equity	261,237	236,572	217,513
COMMON STOCK INFORMATION (FISCAL YEAR)*			
Earnings per common share	$3.95@	$3.84@	$3.60
Dividends paid per common share	$1.66	$1.63	$1.55
Return on shareholders' average investment	11.8%@	12.5%@	12.7%
Common dividends declared as % of net earnings	42%@	43%@	44%
Equity per common share	$34.87	$31.66	$29.26
Common shares outstanding—average	7,478	7,458	7,399
Common stock price range—low-high	$28—51¼	$40¾—64¾	$51½—66½
Closing price year end	$37¼	$51¼	$60⅝
Price earnings ratio (on average price range)	10.0@	13.7@	16.4
SQUARE FOOTAGE OF RETAIL STORES (TOTAL SPACE)			
Food stores	8,916	8,511	7,813
General merchandise stores	5,659	5,302	4,863
Other stores	843	744	691
Total at year end	15,418	14,557	13,367

†53-week year, other years 52 weeks
*Adjusted for stock splits
@Excludes extraordinary income of $6,746,000 or $.90 per share in 1973 and $1,199,000 or $.16 per share in 1972

1970	1969	1968	1967†	1966	1965	1964
$1,218,695	$1,115,000	$1,020,753	$ 949,514	$ 808,403	$ 713,401	$ 645,143
292,372	234,258	192,868	173,540	135,311	111,447	97,067
122,403	120,298	124,053	125,941	116,423	108,583	102,214
1,633,470	1,469,556	1,337,674	1,248,995	1,060,137	933,431	844,424
37,636	33,358	31,803	26,568	24,918	23,967	(not available)
8,722	8,213	7,045	6,340	4,117	2,904	
4,075	4,308	3,652	2,722	3,254	4,584	
50,433	45,879	42,500	35,630	32,289	31,455	29,279
3,272	1,129	239	—	—	—	—
880	746	598	553	616	807	662
(5,348)	(3,453)	(2,406)	(2,138)	(1,759)	(1,746)	(1,808)
(3,586)	(2,845)	(2,318)	(2,078)	(1,832)	(1,536)	(1,360)
45,651	41,456	38,613	31,967	29,314	28,980	26,773
21,614	19,905	18,471	14,297	12,838	12,782	12,041
24,037	21,551	20,142	17,670	16,476	16,198	14,732
12,881	11,683	10,935	9,083	8,221	8,407	7,639
20,432	17,669	15,713	14,628	12,989	11,829	10,643
37,769	37,742	24,202	25,687	21,739	17,080	18,451
21,418	7,399	11,743	5,050	10,080	3,728	5,283
$ 79,432	$ 53,194	$ 64,827	$ 62,398	$ 64,621	$ 64,336	$ 59,789
486,912	406,493	349,241	313,783	285,269	270,604	251,413
76,793	59,036	39,581	36,791	35,371	33,066	34,749
61,615	51,902	48,229	39,967	37,321	32,421	27,704
199,499	161,702	150,014	138,382	129,797	118,767	110,283
$3.34	$3.22	$3.01	$2.63	$2.47	$2.45	$2.23
$1.50	$1.45	$1.35	$1.25	$1.20	$1.13	$1.07
13.1%	13.5%	13.6%	12.7%	12.8%	13.6%	13.3%
46%	45%	45%	48%	49%	46%	48%
$27.09	$24.22	$22.51	$20.79	$19.61	$18.16	$16.88
7,154	6,663	6,655	6,658	6,603	6,526	6,521
$36⅝—54¾	$43—55¾	$31—54½	$26⅝—35	$25½—43⅛	$36—46¼	$31¾—39½
$52¾	$45½	$47¼	$34¾	$31	$40¼	$39
13.7	15.3	14.2	11.5	13.9	16.8	16.0
7,591	7,172	6,732	6,590	6,378	5,959	5,708
4,214	3,335	2,743	2,385	2,067	1,762	1,562
388	284	217	196	177	135	116
12,193	10,791	9,692	9,171	8,622	7,856	7,386

Copies of the Company's Annual Report (Form 10K) filed with the Securities and Exchange Commission may be obtained upon request to Secretary, Jewel Companies, Inc., 5725 East River Road, Chicago, Illinois 60631.

Corporate Officers

Donald S. Perkins
Chairman, Board of Directors

Weston R. Christopherson
President

Howard O. Wagner
Chairman, Finance Committee

Grant C. Gentry
Executive Vice President, Administration

Richard E. George
Executive Vice President, Finance

Clifford R. Johnson
Executive Vice President, Real Estate

Jo H. Armstrong
Vice President, Coordinated Procurement

John N. Balch
Vice President and Treasurer

Richard G. Cline
Vice President, General Merchandise Coordination

Walter Y. Elisha
Vice President, Growth and Development

Charles B. Erickson
Vice President, Secretary and General Counsel

Robert D. Jones
Vice President, Public Affairs

Vernon L. Schatz
Vice President, Information Systems

Weir C. Swanson
Vice President, Personnel

Gene B. Kilham
Controller

Earl J. Barnes
Assistant Secretary

Roger L. Galassini
Assistant General Counsel

Harry C. Hallowell
Assistant Controller

Charles E. McClellan
Assistant Controller

Oral Moody
Assistant Secretary

Charles M. Moritz
Assistant Treasurer

Jacob J. Schnur
Assistant Secretary

Robert G. Ulrich
Assistant General Counsel

Officers of the Jewel Companies

BRIGHAM'S
30 Mill Street
Arlington, Massachusetts 02174
President:
Joseph F. Grimes
Vice Presidents:
Robert J. Fick
Gilles M. Gallant
Norman H. Prendergast
Assistant Vice President:
William F. Horgan
Controller:
Daniel F. O'Connell
Treasurer:
Robert H. Jacobson

BUTTREY FOODS
601 Sixth Street, S.W.
Great Falls, Montana 59404
President:
Philip R. Palm
Vice Presidents:
Lester O. Eck
Eugene D. Koon
Alvin J. Larson
Harold J. Lund
Robert F. Poole
John J. Quinn
Ronald L. Slusher
Andrew Veseth

DIRECT MARKETING DIVISION
Jewel Park
Barrington, Illinois 60010
President:
Walter Y. Elisha
Vice Presidents:
Lance W. Devereaux
John B. Elliff
Richard B. English
Alvin P. Jorgensen
Garrison B. King
Herman T. Landon
Betty M. McFadden
Robert A. Woodsome
A. Keith Pierson

EISNER FOOD & AGENCY STORES
301 E. Wilbur Heights Road
Champaign, Illinois 61823
President:
J. Winslow Smith
Vice Presidents:
Adrian F. Brown
Gary E. Dillow
Donald E. Hadley
Arthur F. Holder
Patrick Johnston
William F. Kalbas
Michael A. Landrum
Richard E. Lebo
Martin A. Scholtens
Leland G. Wise
James T. Wixtead

HYPERMARKET PROJECT
3030 Cullerton Drive
Franklin Park, Illinois 60131
President:
D. L. Lewis
Vice Presidents:
Herman J. Becker
Robert E. Craighead
Paul E. Pentz
Richard L. Rounds
Herbert R. Young

JEWEL FOOD STORES
1955 West North Avenue
Melrose Park, Illinois 60160
President:
Harry G. Beckner
Executive Vice President:
Fred A. Woerthwein
Group Vice Presidents:
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James H. Henson
Daniel E. Josephs
William E. Oddy
Ronald D. Peterson
Dean R. Spencer
Louis V. Stadler
Edward A. Wells
Vice Presidents:
Jane M. Armstrong
Richard H. Bevier
Joseph A. Browne
Joseph V. Bugos
Thomas J. Byrne
James M. Chase
Marshall J. Collins
Andrew J. Cosentino
Francis P. Daleiden
Dean C. Danhour
Robert P. Dorsher
Herbert A.Dotterer
Loren D. Galbraith
James W. Grew
Ralph W. Miller
William H. Newby
Marjan L. Pederson
Lowell A. Peters
Gerald L. Poklop
W. Steven Rubow
Hans J. Schmucky
Harry L. Segal
Harold A. Seitz
William J. Shannon
John A. Shields
Ervin D. Thuerk
Frank J. Thuy, Jr.
Controller:
Kenneth A. MacKenzie
General Counsel:
P. Neill Petronella

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2241 Pratt Boulevard
Elk Grove Village, Illinois 60007
President:
Thomas F. Harwood
Vice Presidents:
Kenneth L. Guse
Edward W. McQuiston
William Smith
Treasurer:
Richard E. George
Secretary:
Robert G. Ulrich
Controller:
James O'Connor

OSCO DRUG, INC.
3030 Cullerton Drive
Franklin Park, Illinois 60131
President:
Richard G. Cline
Vice Presidents:
William P. Altman
Jon T. Fuglestad
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William M. Jacobs, Jr.
Max L. Jenkins
James A. Johnson
Michael A. Landrum
Byron K. Luke
David L. Maher
John H. O'Connell
Haven A. Ready
Raymond A. Stone
Secretary:
Charles B. Erickson
Treasurer:
Francis P. Schliesmann, Jr.

REPUBLIC LUMBER
4600 N. Harlem Avenue
Chicago, Illinois 60656
President:
Stanley Nathanson
Vice Presidents:
Peter W. Cook
Ira Nathanson

Directors
Jewel Companies, Inc.

STAR MARKETS
625 Mt. Auburn Street
Cambridge, Massachusetts
02138
President:
John M. Mugar
Group Vice Presidents:
Jack Der Avedisian
Richard Diran
Sumner H. Goldman
Vice Presidents:
Edward F. Buron
Haig Harotunian
Jack T. Hartigan
Robert H. Jacobson
Richard P. Johnson
Winslow B. Krueger
Carmen Lanza
David B. Moffatt
Galen W. Pike
John Pini
Hugh V. Powell
Walter F. Rajewski
Alan G. Rayen

TURN*STYLE
3030 Cullerton Drive
Franklin Park, Illinois 60131
President:
Frank J. Tyska
Group Vice Presidents:
John Edwards
John P. Spurlock
Vice Presidents:
Harvey S. Durand
Gerald R. Haack
Glen R. Henricks
Joseph E. Jannotta
Michael S. Kaplan
Michael A. Landrum
Wayne O. Lynch
Robert H. Quayle III
James V. Richards
Gilbert J. Spencer
W. Charles Thor
Russell B. Wright
Controller:
Adam W. Talarek

WHITE HEN PANTRY
666 Industrial Drive
Elmhurst, Illinois 60126
President:
David L. Diana
Vice Presidents:
George S. Bovis
Robert B. Knight
Robert G. Robertson
Robert C. Ziltz

James L. Allen
Honorary Chairman, Booz·Allen & Hamilton, Inc.

George P. Baker
Retired Dean, Harvard Graduate School of Business Administration

Raymond C. Baumhart, S.J.
President, Loyola University of Chicago

Harry G. Beckner
President, Jewel Food Stores

Silas S. Cathcart
Chairman, Illinois Tool Works, Inc.

Weston R. Christopherson
President

George L. Clements
Retired Board Chairman and President

Stephen M. DuBrul, Jr.
Partner—Lazard Freres & Co.

Grant C. Gentry
Executive Vice President, Administration

Helen L. Hilton
Dean of the College of Home Economics, Iowa State University

Franklin J. Lunding
Retired Board Chairman and President

Stanley R. Miller
Partner—Goldman, Sachs & Co.

John M. Mugar
President, Star Market Co.

Richard B. Ogilvie
Partner—Isham, Lincoln & Beale

Donald S. Perkins
Chairman, Board of Directors and Chief Executive Officer, Chairman, Executive Committee

Barbara Scott Preiskel
Vice President and Legislative Counsel, Motion Picture Association of America

Arthur W. Schultz
Chairman, Foote, Cone & Belding

Howard O. Wagner
Chairman, Finance Committee and Chief Financial Officer

ANNUAL MEETING
The Annual Meeting will be held at 2:00 p.m. C.D.S.T. on Wednesday, June 19, 1974, at the Milwaukee/Marriott Inn, 375 S. Moorland Road, Brookfield, Wisconsin

TRANSFER AGENTS
Manufacturers Hanover Trust Company, 4 New York Plaza, New York, New York 10015.

Continental Illinois National Bank and Trust Company of Chicago, 231 South LaSalle Street, Chicago, Illinois 60690.

REGISTRARS
Bankers Trust Company, 16 Wall Street, New York, New York 10015.

The First National Bank of Chicago, One First National Plaza, Chicago, Illinois 60670.

COMMON STOCK LISTING
New York Stock Exchange
Midwest Stock Exchange

CORPORATE OFFICE
O'Hare Plaza
5725 N. East River Road,
Chicago, Illinois 60631.

Committees of the Board of Directors:

COMMITTEE ON AUDITS:
S. S. Cathcart, Chairman
G. P. Baker
R. C. Baumhart
H. L. Hilton
S. R. Miller
R. B. Ogilvie

EXECUTIVE COMMITTEE:
D. S. Perkins, Chairman
H. G. Beckner
S. S. Cathcart
W. R. Christopherson
G. C. Gentry
H. O. Wagner

COMMITTEE ON SALARIES AND EMPLOYEE BENEFITS:
F. J. Lunding, Chairman
J. L. Allen
G. L. Clements
S. M. DuBrul, Jr.
B. S. Preiskel
A. W. Schultz

FINANCE COMMITTEE:
H. O. Wagner, Chairman
W. R. Christopherson
G. L. Clements
G. C. Gentry
D. S. Perkins

Bulk Rate
U. S. Postage
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Annual Report 1973

Jewel Companies, Inc.
5725 N. East River Road
Chicago, Illinois 60631